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Threats to World Peace

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IN world affairs the pendulum has swung swiftly and ominously, during these past three years, from a utopian prospect of peace and prosperity to the opposite extreme of economic panic, political uncertainty and peril of war. Between the hopes of 1929 and the fears of 1933 the contrast is startling. Some attempt should be made to understand it if we are to face the future with sanity.

Wars are raging now in two continents and threatening in a third, but in 1929 we were celebrating the ratification of the Kellogg Pact, renouncing war for ever and ever. Japan today is withdrawing from the League of Nations, but at the Tenth Assembly, in 1929, Mr. Adachi was expressing Japan's loyalty to the League and her desire for disarmament. President Hoover and Premier MacDonald were

planning a Five-Power Conference to end naval rivalry, and the Preparatory Commission was elaborating an arms limitation convention for all the world to sign. The United States, in that same hopeful year, signed the World Court protocols, which are not yet ratified by the Senate. The long, bitter controversy over war debts and reparations seemed to have reached a happy ending when the Young Plan was drafted as a final settlement of reparations, and France at last ratified her debt-funding agreements with the United States and Great Britain. The French pledge to evacuate the German Rhineland within a year seemed to herald a new era of reconciliation in Western Europe. Indeed, all Europe was about to unite in a peaceful federation. It was in September, 1929, that Briand, the great French "apostle of peace," electrified the world by proposing a European union. Three years ago men talked of a "United States of Europe." The prospects of peace, said President

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Hoover in December, 1929, "were never brighter than today." The world was on the threshold of Utopia!

Too rapidly Utopia vanished. The United States of Europe failed to materialize. The Young Plan collapsed in its second year and with it the war-debt agreements. Economic paralysis and financial panic swept over the world. Disarmament conferences foundered in treacherous shoals. Wars flared up in the Far East and in South America, while the League seemed impotent and the Kellogg Pact futile. Europe drifted toward repetition of the tragedy of 1914.

European skies have grown suddenly blacker since the stormy arrival of Adolf Hitler at Potsdam as Nazi dictator of the German Reich. But the clouds had long been gathering. German patriotism never accepted the verdict of Versailles as final. From the signature of the peace treaty in 1919 to the present there has been an incessant nationalist agitation against the peace terms. From 1923 to 1929 the agitation was wisely guided in peaceful channels by a great statesman, Dr. Stresemann, whose policy was "to repulse France from trench to trench, since a general offensive is not possible."

He did just that. He secured the withdrawal of French troops from the Ruhr coal basin in 1924; by the Locarno Pact he obtained a pledge of British and Italian aid against any future French aggression; he freed the Rhineland from allied military occupation. That was not all. Germany's reparation payments were reduced by the Dawes Plan of 1924 and again by the Young Plan of 1929. Germany obtained a permanent seat on the League Council as a great power.

Stresemann's Fabian strategy was too patient to satisfy the rising surge of nationalistic opinion in Germany.

The German people regarded the peace terms as an outrage against justice. Even for a guilty nation the Versailles terms would have been intolerably harsh. Most Germans, however, believed Germany innocent—at least as innocent as others. Before France or England had the candor to do so, Germany had flung open her secret diplomatic archives from 1871 to 1914 to prove her innocence.

To Germans who believed in German innocence, an impassioned revolt against the peace treaties was emotionally easy. By donning brown shirts and following Hitler they hoped to free Germany and regain national greatness. Many of the Nazis were young men who could see no other escape from personal poverty and national shame. Junkers and ex-officers, monarchists and reactionaries had their own reasons for backing the Nazi movement. But what concerns us more is the way in which the Young Plan, the Wall Street crash, the policy of France and the Disarmament Conference helped Hitler to power.

The Young Plan of 1929, by fastening on Germany an impossible "tribute" for fifty-nine years, not only angered German nationalists but overstrained German credit. The Wall Street crash and the business depression aggravated matters. Business failures came thick and fast in 1930. Unemployment in Germany more than doubled between September, 1929, and September, 1930. So did Hitler's followers. In the elections of Sept. 14, 1930, the Nazis made their first startling gain, polling over 6,000,000 votes, eight times as many as in 1928. Note how the vicious circle rolled on. The Hitler victory alarmed investors, who promptly began to withdraw capital from Germany; inevitably unemployment increased—and discontent—and Hitlerism.

Perhaps it was the rising tide of this extreme nationalism that spurred an indiscreet German Foreign Minister in 1931 to attempt a bold nationalist stroke, the announcement of a future customs union with Austria. When France and the Little Entente blocked that cherished project, the Nazis had one more argument to prove the need of a fearless nationalist dictator. Moreover, the customs union crisis was accompanied by a financial crisis in Austria and a terrifying flight of capital from Germany. By March, 1932, there were 6,000,000 unemployed, as compared with 1,500,000 in 1929. In that month Hitler received 11,000,000 votes as a candidate for President; his following had almost doubled in eighteen months. As 1932 progressed, the economic situation grew worse and German attempts to scrap the peace treaty met with new rebuffs. At the Lausanne Conference in July the German delegation failed to secure complete cancellation of reparations, which they had demanded, or a repudiation of the "war guilt" theory. Simultaneously, at the Disarmament Conference in Geneva the German demand for equal armament rights was being opposed. It was at the end of this month that the Nazis polled almost 14,000,000 votes in a new Reichstag election.

Victory was now in sight. Another election in November administered a slight setback, but in January, 1933, President Hindenburg decided to appoint Hitler as Chancellor. Now the Nazis were in a position to muzzle the press, terrorize the Opposition, elect a new Reichstag and obtain from it a four-year grant of dictatorial powers for Hitler.

In his first two months of power Hitler was ruthless enough in domestic affairs, but singularly mild toward dangerous foreign powers. In

this respect he has followed the best Fascist tradition. If he is as skillful as Mussolini, he will be able to divert the nationalistic fervor of his followers into prudent channels. But if he should follow the course which Nazi propaganda has marked out, what lies ahead is war. The Nazi movement has aroused a powerful demand for abrogation of the peace treaties, arms equality, colonies, Austro-German union, cancellation of reparations and revision of the Polish Corridor.

Some of these demands are not particularly dangerous. A considerable part of the Versailles treaty has in one way or another already been scrapped or nullified. The return of a colony or two from Germany's lost empire is quite conceivable. Reparations have already been cut down so far that complete cancellation is a matter of sentiment, not of finance. Removal of the "war guilt" clause from the treaty might be more difficult, because public opinion in many countries has not quite kept pace with the publication of pre-war archives. The really serious issues are Austria, the Polish Corridor and disarmament.

Ever since 1919 France has opposed the union of Germany with Austria. Wrongly perhaps, but quite naturally, French governments have thought less of the moderating effect which Austrian voters might have had on German politics than of the simple arithmetical fact that in annexing Austria Germany would gain more than she lost by the war in area and population. United, 69,000,000 Germans in *Grossdeutschland* would face the 42,000,000 French. Therefore the union, except by unanimous approval by the League Council, was prohibited in the peace treaties. The treaty clauses were reinforced by an additional pledge (the famous Lausanne

Protocol No. 1 of Oct. 4, 1922), exacted from Austria in return for a direly needed international loan, not to compromise her independence by any economic or financial engagement. Maintaining these pledges was one of the purposes specified in the alliance of 1924 between France and Czechoslovakia. France and Czechoslovakia, as we have already observed, proved that they were in earnest when an Austro-German customs union was announced in 1931; French financial aid was withheld from Austria, the case was carried to the League Council and to the World Court, and the project was dropped just two days before the Court handed down an opinion against it. Finally, in July, 1932, when Austria again required a loan, the protocol of 1922 was strengthened by a new Lausanne protocol. Such are the pledges and policies that stand in the way of *Grossdeutschland*.

Still more difficult is the question of the Polish Corridor. This feature of the peace settlement has become ever more controversial and more dangerous as the years have passed. For many German nationalists it is the supreme injustice, the one wrong that might justify war. But for the Poles the Corridor is "not a strip of land artificially cut out from German territory to assure to Poland access to the sea"; on the contrary, it is a historic Polish province, as its very name (*Pomorze*) indicates; it was part of Poland for centuries before Frederick the Great of Prussia seized it in the late eighteenth century; its population was always more Polish than German, and now is 90 per cent Polish; and it affords the natural maritime outlet for a Polish nation of 32,000,000 people.

The next world war, many have predicted, will begin in the Corridor. Germany cannot regain the Corridor ex-

cept by fighting two wars, one to conquer the territory and a second to defend it against a Polish war of revenge. For even one war the present Corridor situation offers no just and sufficient reason. There is, however, ample reason for the Polish authorities to alter their policy.

Having been endowed so generously by the Peace Conference, at the cost of a proud and powerful neighbor, the Poles might well have treated Germany magnanimously instead of scratching an unhealed sore. They subjected German traffic across the Corridor to regulations and annoyances that enraged German Junkers possessing estates in East Prussia. By ousting many German property owners and interfering with German schools in Poland, the Polish authorities gave the Germans numerous grievances. German complaints poured into the League Council and the World Court, and more than once Poland was found to have exceeded her legal rights. To say the least, the Polish policy was impolitic.

As regards Danzig the Poles were still less prudent. Danzig, of course, is not part of the Polish Corridor, but a Free City, essentially German, detached from Germany in order to provide Poland with a Baltic port. Perhaps the Danzigers were wrong-headed in their unwillingness to exchange national sentiment for increased business. Their shipping and trade did increase to four times the pre-war level, but they remained unfriendly. The Poles, on the other hand, alarmed both Danzig and Germany by minor encroachments, setting up Polish mail boxes, attempting to introduce Polish currency on the railroads, stationing warships near Danzig and soldiers on the Westerplatte peninsula, and so on. Worse still, Poland built a great new port at Gdynia,

eleven miles away, to compete with Danzig. The Free City thus became a spearhead of German enmity toward Poland.

Hungarian wrongs, too, have long been a disturbing factor in European politics and the secret arming of a militant Hungary has aroused real alarm. Hungarian nationalists have a strong case for the restoration of certain border districts taken from Hungary by Rumania and Czechoslovakia. Unfortunately enough, Rumania and Czechoslovakia have not been ready to make such a sacrifice nor have they been sure that it would satisfy Hungary.

What gives sinister significance to these and other "sore spots" is the tendency of extreme nationalists in the defeated countries to think of the sword as a cartographical instrument. Separately, perhaps no one of the defeated countries would again run the risk of war; together, they would still be weak, these four more or less disarmed nations. They can hardly count on Russian aid since Hitler's attacks on German communism. Toward Italy, however, they have looked more hopefully. In 1933, when Hitler established a quasi-Fascist dictatorship in Germany, the world public wondered whether a "league of dictators" would array itself against the "democracies."

Mussolini, however, had a plan for peaceful treaty revision. As he explained it to Prime Minister MacDonald in March, his aim was to take France and Great Britain into the treaty-revision group with Germany and Italy. These four great powers were to work together to remove the worst grievances and to preserve peace. Even more important than the unrevealed details of the Mussolini plan is the fact that Mr. MacDonald was willing to take up the plan, consider it seriously and proclaim his

sympathy with it by declaring to Parliament that "every treaty is holy, but no treaty is eternal." Truism that may be, but in the circumstances it was political dynamite. If Mr. MacDonald meant what he implied, he intended to throw Great Britain's weight into the scales against the status quo.

That would leave France and her allies to defend the crumbling structure of an unwise peace. For more than a decade the idea of revising the treaty terms has been anathema to France. The French attitude was adopted when very important national interests were at stake. Many of these interests, however, have gone by the board. There is no longer any reason to defend the reparations chapter of the Versailles treaty or the Rhineland occupation clauses or the economic chapter. The Saar Basin clauses have only two more years to run; the Syrian mandate has been a liability; even the disarmament clauses, French statesmen now realize, can hardly be enforced longer. What is left? For the sake of emphasis perhaps an exaggeration will be permitted. In opposing treaty revision now France will be defending the possessions of her East-European allies rather than direct and vital interests of her own.

This strange situation has come about because in 1919 the French Government, dominated by such men as Poincaré, Clemenceau and Tardieu, had more faith in armaments, strategic frontiers and alliances than in justice or a League of Nations. To preserve the kind of peace that these men won, alliances were assuredly needed. Gradually French diplomacy and French finance built up a new system of military alliances with Belgium, Poland and Czechoslovakia, and less binding alliances with Rumania and Yugoslavia. Although the Little Entente has never been wholly free

from dissensions or entirely committed to France, it has generally been regarded as part of the French system. In 1933 the French coalition, including Poland, the Little Entente and Belgium, had 1,650,000 men under arms and 11,000,000 trained reserves to fight for the sanctity of treaties and the immortality of frontiers. Yet France and Poland and the Little Entente all showed symptoms of extreme nervousness. It would be impossible to imagine a better proof that armaments do not guarantee security.

The hesitations of the World Disarmament Conference would be unintelligible without an appreciation of these political factors. When it assembled at Geneva on Feb. 2, 1932, it had before it a carefully prepared draft treaty designed to limit armaments without attempting to solve the political problems of German equality, treaty revision and French security.

Very quickly the conference shifted to a quite different approach, the principle of "qualitative disarmament," which means abolishing peculiarly offensive weapons such as big guns, tanks, bombing planes, big battleships, submarines and gas warfare. The idea appealed strongly to public opinion throughout the world, and to many governments. It might be a way of granting Germany some equality, for Germany had been deprived of such weapons by the Versailles treaty. It might give some security to France, and indeed to all nations, because without these weapons of attack invasion and conquest would be far more difficult. It would enable the United States to promote disarmament without undertaking any new political responsibilities.

Ingenious as it appeared to be, the qualitative disarmament scheme soon

encountered two great obstacles. The military and naval experts began to dispute whether battleships are innocent weapons of defense or deadly engines of attack, whether tanks may weigh 20, 25 or even 35 tons without becoming offensive, whether 6-inch and 8-inch guns are more to be feared than 4-inch guns. In the second place, France and her satellites were unwilling to face Germany on equal armament terms unless they could set up an international police force and strengthen the League, so as to guarantee security.

Just when failure seemed near, President Hoover made his spectacular attempt to save the conference by launching the "Hoover plan" of June 22, 1932. He proposed to reduce armaments roughly by one-third, and also to abolish tanks, big guns, bombing planes and chemical warfare. But because he failed to satisfy French security demands, the plan won more favor with Germany, Russia and Italy than with France. The British delegation, too, was critical. The Americans, therefore, had to allow the Hoover plan to be watered down (by the notorious "July resolution") to such a point that it satisfied no one.

Then came the real crisis. That Summer the Nazis polled 14,000,000 votes; the German Government demanded revision of the arms clauses of the Versailles treaty, and Germany threatened to quit the disarmament conference. German sentiment and German arguments were too powerful to be ignored any longer. By an agreement of the five great powers in December Germany was promised "equality of rights in a system which would provide security for all nations." The MacDonald-Mussolini conversations of March, 1933, went even further in suggesting that Germany be admitted to a four-power group to consider re-

vision of treaty grievances. Moreover, Mr. MacDonald proposed to free Germany from the Versailles disarmament clauses and to establish a standard strength of 200,000 men for the European armies of Germany, France, Italy and Poland alike.

This striking proposal was part of a general disarmament plan prepared by the British Prime Minister in March, 1933, as a supreme effort to rescue the Geneva conference from futility. Germany would be given army equality in Europe, but France would be allowed an additional 200,000 in her colonies and Italy 50,000. Germany would be freed from the Versailles naval limitations, but there would be a truce on naval building until a new naval conference in 1935. Each great power would reduce its air fleet to 500 planes (except Germany, which has none), pending further negotiations for complete abolition of air warfare. These, of course, were compromises, as Mr. MacDonald frankly admitted.

One of the most interesting points—perhaps the crucial point—in the MacDonald plan was the attempt to meet the French demand for security not by creating an international police force but by providing for a consultative agreement based on the Pact of Paris. In making such a proposal Mr. MacDonald had to steer carefully between the opposing positions of France and the United States. France, in the Herriot arms plan of November, 1932, had proposed as the price of any real disarmament a pledge to enforce the Kellogg Pact by boycott of the aggressor and non-recognition of ill-gotten gains. The United States, through Secretary Stimson, had initiated the non-recognition principle and announced a willingness to consult. What Mr. MacDonald did was to ask America for the minimum—the

mere promise to confer with other powers in the event of war or threat of war. Thus the disarmament problem came back to the problem of enforcing the Kellogg Pact.

Enforcing the Kellogg Pact had become a very practical problem. In spite of the Kellogg Pact renouncing war, Japan had conquered Manchuria, fought bloody battles at Shanghai and invaded the Chinese province of Jehol. In South America the Chaco conflict between Bolivia and Paraguay had become a real war, and another war had begun in Leticia between Peru and Colombia. In all three cases the Kellogg Pact was evaded by the simple method of fighting without declaring war. Obviously the mere existence of the pact in itself was not enough to prevent war; it was only preventing declarations of war.

Spurred on by the emergency, Secretary Stimson experimented with various methods of upholding the pact. Identic notes were addressed to China and Japan in vain. Special protests to Japan failed. Concentration of the United States battle fleet in the Pacific and a threat to scrap the Washington naval treaty also failed. The most interesting of the Stimson experiments was the non-recognition doctrine, proclaimed by the United States on Jan. 7, 1932, in identic notes to China and Japan, supported by the League Assembly on March 11, and applied also to the Chaco conflict in South America by an identic note of Aug. 3, addressed to Bolivia and Paraguay. Even this threat not to recognize any gains made by conquest, in defiance of the pact, seemed unavailing. It could hardly be made effective unless some method were found of determining whether the pact had been violated, and by whom.

The League of Nations proved un-

expectedly effective as a means of answering such questions. Skeptics had hitherto denied that the League would ever condemn a great power bent on war. For seventeen months skepticism of this sort flourished. From the outbreak of hostilities in Manchuria on Sept. 18, 1931, to the Assembly's condemnation of Japan on Feb. 24, 1933, the League delayed decision. There were many reasons for hesitation. Mere distance from Geneva delayed the investigation and report on Manchuria for months. The issue was extremely complicated. Great Britain and France had special reasons of their own for holding aloof. Curbing Japan, moreover, would not be easy. The business depression and the unsettled state of affairs in Europe made courageous action less probable. Moreover, the League for a time endeavored to pursue methods that would have American approval, instead of using the technique that Geneva had hitherto found useful.

Nevertheless, in the end the League methods were applied, and under Article XV the Assembly formally made its report, broadcasting it by radio to the entire world. That was a landmark in modern history. It proved that even in a really dangerous conflict, involving a thoroughly determined great power, affecting all sorts of special interests and presenting exceptionally difficult questions of fact, the League method of impartial investigation, publicity and conference could at length produce a unanimous verdict—unanimous except for the one dissenting voice of the nation at fault. Particularly significant is the fact that af-

ter this verdict the State Department at Washington hastened to declare that the United States was "in general accord" with the League's conclusions. Washington still retained "independence of judgment," but at last the United States had found by actual experience that the most practical way of uniting world opinion against a breach of the Kellogg Pact was the League way.

Having found courage to condemn Japan, the League proceeded, in March, 1933, to pass judgment on Peru. Again the League radio station sent out a broadcast to the world, this time from the Council, recommending that Peru evacuate the disputed region of Leticia. Here again the State Department at Washington appeared to welcome the League's action.

The revival of courage was not without its risks. Japan announced her intention to secede from the League. Peru perhaps might follow. If the arms conference and treaty revision in Europe should fail, Germany might also withdraw, as many Germans had already threatened. On the other hand, the League had won a marked increase of cooperation and moral support from Washington. Whether the United States would rest there and refuse to consider cooperation in an arms embargo or an economic boycott against a violator of the pact remained an open question. On the answer to that question the outcome in the Far East and in South America may ultimately depend, and also the fate of the disarmament conference, the peace of Europe and the safety of the world.

French Civilization and the Crisis

By ROBERT BRIFFAULT

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FRENCH official optimism dwells with some complacency on the fact that France has suffered less severely than any other Western country from the world-wide economic depression. "France," a popular paper declared the other day, "is the land of refuge of civilization."

The causes of this relative immunity are fairly plain. French prosperity has never rested on towering accumulations of wealth belonging to individuals or corporations but on the more widely diffused well-being of relatively small proprietors and *rentiers*. French wealth, like French small business, is on a cash rather than a credit basis, and banks play a much more restricted part than in other countries. Under the Versailles treaty and during the post-war years the French Government, on behalf of its *rentiers*, has been able to drive the sharpest bargains that nationalistic selfishness could dictate. Moreover, France is in many respects a far more compact and self-contained economy than America, Great Britain or Germany has ever been.

Yet the fall in all sources of revenue, including a loss of some \$400,000,000 on the railways and a rising adverse trade balance, has resulted in a deficit in the French budget of over \$560,000,000, which is daily increasing more rapidly than the savings intended to reduce it. Those savings are being effected by slashing the salaries and wages of the numerous government employes, including most of the

railway men as well as workers in State industries. War pensions and unemployment relief are being cut to the bone. The deductions from wages on account of insurance have been considerably increased, while the employers' contributions are unaffected. Although the government taxes upon all earned incomes are heavy, the *rentier's* coupons escape direct taxation; on the other hand, his income is being reduced by conversion loans which carry lower interest rates.

The number of French unemployed is estimated at 2,000,000 and is fast increasing. Although the police, by curbing mendicancy, vagrancy, gatherings and demonstrations within the larger cities, keep rags and misery somewhat effectively out of sight, swarms of destitute humanity during the past Winter straggled, like wolves, from the outer suburbs into Paris, seeking food and shelter. Homeless families, men, women and children, thronged the subway stations and camped, lighting fires from sticks, on the quais of the Seine. In the textile industries the number of workers employed is one-third of what it was five years ago. Their wages, always low, have been reduced considerably. In the rayon industry women number 85 per cent of all employed workers. Cheaper female labor, which has been extensively substituted for male labor, represents 40 per cent of the total of all employed workers.

The plight of the farmers is such as to drive them to desperation. Agricultural laborers are working in some instances at the rate of 1 cent per hour. Many of the vineyards in the Bordeaux districts are being allowed to lie fallow.

A large proportion of the trade of France consists of articles of luxury—*articles de Paris*, art objects, women's wear and wines. That commerce is in the direst straits. Many of the great dressmakers, art dealers and jewelers of Paris are in difficulties. Many of the great restaurants have disappeared; others that were too exclusive to advertise are offering meals at a dollar. Fashionable hotels are carrying on precariously at an enormous loss or are in the hands of receivers. Places of entertainment are suffering. The Opéra Comique has been turned for two days a week into a movie house. Large apartment buildings in and around Paris, erected because of faith in post-war prosperity and embodying the latest comforts and caprices of architecture, are seen everywhere standing empty. Over whole quarters, intended to be fashionable, broods the silence of desolation.

Thus does France, "refuge of civilization," witness the realization of her most sanguine political dreams. Never in the darkest days of defeat and humiliation has she presented an appearance less gay and cheerful. The pleasure which, according to La Rochefoucauld, we derive from the misfortunes of our friends is tempered by too many sobering considerations to be, with the French, indecently blatant. Although the recent use of the franc in London as the standard of international exchange was gratifying to their pride, they are not so blind to their interests as to gloat unduly over the sickness of the dollar or the pound, for they see that the franc, too, might suffer the depreciation that has affected other currencies.

What is the attitude of the French mind, which is reputed to be so logical and realistic, in the face of these conditions? In the Chamber the other day a Deputy lauded the effects of the Chinese wall of tariffs erected round France on the ground that it

helped to preserve undefiled the purity of French civilization. But the high value we place on that civilization can scarcely be measured by its present manifestations. There are, of course, good grounds for the opinion that the French are the most civilized of Western peoples. French cultural tradition is the oldest in Europe. France was the first European country to achieve a firmly established national existence. It was also the country where the tradition of the old civilization had cast most deeply and firmly its roots through all strata of the population. Nowhere else has the tradition out of which Western culture has grown been so unbroken or its development so continuous.

The appreciation of the more delicate values and adornments of life is, with the French generally, in consequence, more highly elaborated and more sophisticated than with other races. The mass of the French people is more interested in general questions, in politics, in literature, in the theatre, in art, in the amenities of life and the airs and graces of culture. It prefers company and conversation to noise and boisterousness, good food and wine to gross feeding and drunkenness. Its desire to enjoy life stands on a plane of more intellectualized tastes. With the logic and clarity of a language whetted to a fine edge by long usage goes a corresponding logic and clarity of thought. Nebulous ideals do not attract the Frenchman. He is not addicted to translating his concrete cupidities into the high-sounding language of moral obligations and humanitarianism. He has never professed to "shoulder the white man's burden," nor distributed Bibles with opium and fire-water to the heathen. That sort of "silly nonsense" is known in France as *la niaiserie anglaise*. Being part of a long cultural tradition, those dispositions and tastes are more generally diffused throughout all classes, more firmly fixed as traits of the national character. The French are, in a sense, eminently civilized.

But "civilization" is an overworked term that begs a thousand questions. Whatever it means, it does not imply adaptability to changing conditions—rather the contrary. Largely because French civilization is so highly differentiated and sophisticated, so solidly crystallized, France may prove of all countries the least fitted to adapt herself to the profound changes now taking place in the world.

Among the changes which confront civilization with the alternatives of radical adaptation or death is the monstrous transformation of modern war. The French have been, of all nations, the most susceptible to the glamour of martial glory. The world has changed, and even the French have to a considerable extent recognized the change. They have set aside the old visions of *la gloire*. War is now a haunting nightmare. The menace of a conflagration in which civilization may be reduced to ashes is, for realistic Frenchmen, a source of stark fear. That, and not exalted combativity, is the sentiment with which the danger is regarded.

Yet, like every other riddle that perplexes a changed world, the menace of war takes the form of an irreducible dilemma. When President Wilson brought over the plan of the League of Nations, Clemenceau told him that no nation had more to gain by the abolition of war than the French. But did the American President really desire to abolish it? Was he prepared to do away with sovereign nations, to repudiate capitalistic enterprises? The American liberal idealist stammered. He had, in fact, not faced the dilemma. He mistook high-sounding phrases for practical measures. The abolition of war means the abolition of national sovereignty, and the only alternative is to arm to the teeth. France has doubled her war budget since 1926. The League of Nations, used as an instrument of military domination, has been supplemented by the pact of last February mobilizing under French command the military re-

sources of the Little Entente. French realism does not profess the fatuous compromises of Anglo-Saxon *naïserie*.

The political party now in power in France, the party from which all recent administrations have been drawn, represents the left wing of French Parliamentary radicalism. Laval, Herriot, Paul-Boncour, Daladier are described as "Radical-Socialists." The measures to protect bondholders at the expense of the workers and small tradesmen, to increase the war budget, the enormous police budget, the "secret" budget—the sums used for unavowable purposes—to retain political prisoners while liberating criminals, have all been passed by the votes of the "Socialist" party, which under the leadership of Léon Blum has lent its support to the "Radical-Socialists." The French Government, which is the bulwark of reaction, is a Radical-Socialist government. Yet the opposition to it does not charge it with being reactionary, but with being radical and socialistic.

The French bourgeois, the shorn taxpayer, the tradesman faced with ruin, the workman bled by wage cuts, the farmer and the peasant do not take their present troubles lying down. They are irate. In no country is the protest of injured interests more vocal. The walls are placarded with flaring manifestoes and indignant protests. In defiance of the bludgeons of the police, government employes demonstrate and organize strikes. Paris is invaded by hordes of infuriated and desperate farmers, and the collision of the country people with the police gives rise to a lively battle in the Champs Elysées. Shopkeepers put up their shutters in protest against the crushing burden of taxes.

But the discontent is anything but revolutionary in a modern sense. It is not for "a new deal" but for "the good old times" that the French bourgeois hankers. He is against the government, not because the government is reactionary, but because it is insufficiently reactionary. He therefore in-

clines to lend a willing ear to the voice of royalist and priest. The *Action Française* makes pleasant reading. In what paper can he better enjoy the solace of seeing the government of the day soundly trounced? There is much talk of dictatorship—the *Echo de Paris* prints Fascist propaganda. Even acute political antagonism does not prevent a sneaking admiration for Mussolini and Hitler. What is needed is a "stronger" government. The only difficulty is to find a suitable dictator.

Nationalistic repudiation of changing realities leads even to repudiation of the principles of the French Revolution. Thus, M. de Jouvenel in his *Huit Cent Années de Revolution Française*, which has just been published, puts forward the startling thesis that the French Revolution never took place. Neither the intellectual ferment nor the economic conditions of the eighteenth century, he informs us, had anything to do with it. The revolution was simply the culmination of a long and continuous process by which the French nation secured the sacred rights of property. It was therefore not a revolution, but an evolution. Similarly, the French bourgeoisie begins to turn from the French eighteenth-century thinkers who prepared the way for the revolution, the thinkers whose clarity constitutes the best title of France to cultural leadership. Radical thought could then afford to be logical and courageous because it undermined feudal privilege. Now, however, clarity and rational logic, instead of being favorable, have become dangerous to the interests of property.

Just as French nationalism is falling back upon militarism and alliances, French finance on the hoarding of gold and French economics on the internal resources of the country, so is French civilization turning for refuge to cultural traditionalism, with all its dangers of serious mental injury.

The conception of France as a secular and rationalistic country no longer holds good. The anti-clericalism of the early Briand and Combes period, which curbed the power of a royalist and medieval church, which at the time of the Dreyfus affair nearly destroyed the republic, is today consistently disowned. One-half of the present generation of French children are being taught in church schools. In the country of Voltaire and Victor Hugo the widespread revival of miracles, supernatural apparitions, portents and cures, pilgrimages, processions and prostrated devout crowds reminds one that French civilization is continuous with the Middle Ages. European civilization cannot turn its head toward the past without drawing close to the Dark Ages.

In form and substance French literature today is marked by an almost incredible withdrawal from living actuality. An influential French critic, lamenting the conspicuous decay of the French stage, can think of nothing better than the revival of the classic drama of Molière, Corneille and Racine. French criticism harks back to archaeological minutiae. The Prix Goncourt was awarded this year to a long-winded novel, extraordinarily lacking in characterization and dealing sentimentally with a sentimental intrigue placed in the '90s. It might have been written in that period. Several of the leading French literary figures, such as Paul Bourget, François Mauriac and Maurras, are frankly and violently reactionary. One of the most polished among French *littérateurs*, M. Thibaudet, has recently published a book on French political ideas, classifying and analyzing them with exclusive reference to their bearing on the interests of the Catholic Church. Paul Valéry, the protagonist of the "symbolist" movement, has also published a book of "Glances at the Contemporary World." The "contemporary" world which he envisions might, for any idea contained in his

in wildernesses. He has a charm that is both wholly manly and at the same time shot through with sensitiveness and tenderness. His ruthlessness as an economizer gives him himself a great deal of pain. It is a great irony that the iron in him has also so much pity. In any case, for the solving of the problem of the budget, Mr. Roosevelt chose a man whose policies are all toward retrenchment and all against inflation; and in the economy law Mr. Roosevelt proceeded to dispel from the minds of his fellow-Democrats on Capitol Hill all theories to the effect that he would countenance a balancing of the budget through any device involving and including a payment of any part of our regular Federal expenses with borrowed money or with unbacked paper money.

Yet meanwhile Mr. Roosevelt had appointed Henry Wallace, "inflationist" and "artificialist," to be Secretary of Agriculture. Mr. Wallace is as adventurously theoretical as Mr. Douglas is hard-headedly practical. Mr. Wallace's grandfather was a great innovating agricultural editor; so was Mr. Wallace's father; so is Mr. Wallace himself; and their location and inspiration has been Iowa. It has been that most headlong part of the American agrarian revolution, the Corn Belt. Mr. Wallace believes in more—and more—currency and he believes also in more—and more—governmental stilts for the raising of the agricultural price structure above its present level and above the level of the present flowings of world trade.

At that latter point he comes into direct philosophical contradiction with another of Mr. Roosevelt's most eminent appointees—Cordell Hull of Tennessee, now Secretary of State. Mr. Hull, as a member of the House of Representatives and as a member of the Senate, gave no support whatsoever to Corn Belt price-lifting proposals such as the McNary-Haugen bill. He sought salvation for agriculture, not in the erection of stilts at home, but in the destruction of arti-

ficial economic skyscrapers and barriers throughout the world. Mr. Hull was, and is, an economic internationalist.

His personal characteristics are deep studiousness, deep gentleness, high aims, high and unspectacular methods. He has been responsible for and associated with advanced legislation such as the income tax. Somehow, nevertheless, he has always been devoid of the colorfulness of the agitator. His radiance is a pure clear white. He is a man who walks at a very lofty level indeed. He is among those very few public men who seem to exhale a spiritual quality. There is nobody in Washington more above the dirtinesses and personal pettinesses of politics than Mr. Hull. He has, accordingly, immense prestige, and he directs it, above all, to the laying low (or lower) of tariff duties.

So Mr. Wallace, Secretary of Agriculture, brings in a Farm Relief bill which puts tariff duties up; and Mr. Hull, Secretary of State, prepares for treaties which will bring them down.

It would seem fairly obvious that not all the high cards of the new deal look as if dealt from the same pack. The truth is that the unity among them arises not from the pack but from the dealer. From a certain point of view Mr. Roosevelt's Cabinet consists of three parts: Old Wilsonians; personal Rooseveltian New Yorker friends; and Western Progressive pick-ups.

The Wilsonians are Cordell Hull, Secretary of State; Homer S. Cummings, Attorney General; Claude A. Swanson, Secretary of the Navy, and Daniel Roper, Secretary of Commerce. The personal Rooseveltian New Yorker friends are William H. Woodin, Secretary of the Treasury; James A. Farley, Postmaster General, and Frances Perkins, Secretary of Labor. The Western Progressive pick-ups are George H. Dern, Secretary of War; Harold Ickes, Secretary of the Interior, and Henry Wallace, Secretary of Agriculture.

The four Wilsonians were conspicuous in the policies and activities of the Wilson era. They are Mr. Roosevelt's tribute to the traditions of the Wilson administration, of which he himself, as Assistant Secretary of the Navy, was a by no means inactive or uninfluential part. Mr. Hull, then a member of the House of Representatives, assisted the Wilson administration not only in the writing of the income tax law but in the writing also of the low duties of the 1913 tariff.

Mr. Cummings, during the second term of President Wilson, was made Chairman of the Democratic National Committee. He was especially interested then in securing American acceptance of the covenant of the League of Nations. He bore, and bears, the reputation of being a characteristically Wilsonian "liberal." Coming from the quite conservative State of Connecticut, he has battled there for "liberalism" against great entrenched conservative power in both political parties. In 1932 he conceived Mr. Roosevelt to be the most "liberal" of all the contenders for the Democratic Presidential nomination, and he therefore perfectly naturally and automatically gave him his earnest and emphatic support. Mr. Roosevelt, thereupon, instead of striving to conciliate Mr. Cummings's opponents by appointing one of them to high office, rewarded Mr. Cummings and fortified Rooseveltianism by taking him into the Cabinet family. Mr. Roosevelt, whether he ever read Machiavelli or not, acts fully on Machiavelli's maxim to the general effect that it is absurd to warm your enemies in your bosom. One of Washington's strongest reasons for politically admiring Mr. Roosevelt is that he seeks to strengthen himself not with enemies but with friends.

Mr. Swanson, the new Secretary of the Navy, is one of the most astute and subtle politicians of all times. His political epigrams have marked him as a great political sage and also as a great wit. One of them is: "In politics

one needs courage. It takes lots of courage to sit on the fence and get shot at from both sides."

The unexpected slant of the second sentence of that remark is an apt illustration of Mr. Swanson's professional delight in paradoxes of politics. He thereupon becomes delightful to politicians all over the world. This writer had the opportunity to observe him at the Disarmament Conference in Geneva, Switzerland, last year. Mr. Swanson had not been in Geneva six weeks before his familiarity with the intricacies of the politics of all the principal European countries—and his witticisms upon them—had endeared him to all listeners, American and foreign. He is a strong navy man but simultaneously a strong believer in general naval reductions without American disadvantages. He is an American diplomat who will never fall a victim to international reforms which mean benefits to foreign countries and illusions for the United States. He could be called a "Wilsonian liberal"—but an extremely politically sophisticated one. His canniness will be a fortress of strength for the administration in its international naval negotiations.

Mr. Roper, the new Secretary of Commerce, like Mr. Swanson, is a Southerner and, again like Mr. Swanson, a consummate politician. He is also, oddly enough, a great master of statistical figures. As clerk of the Interstate Commerce Committee of the Senate, as clerk of the Ways and Means Committee of the House of Representatives, as expert special agent of the Census Bureau and as Internal Revenue Commissioner before and during the war, he demonstrated remarkable capacity for numbers and for columns of numbers. At the same time he lost none of his interest in that sublime aspect of popular Democratic mathematics—election returns. He has always held to Southern dry progressivism. He was one of the last dries to stop trying to use a retarding broom on the tide of wetness. He

stopped in time to be able to accept Franklin Delano Roosevelt as a new prophet of progressivism, even if also a harbinger of beer. Mr. Roper is sincere and nevertheless also suave, adroit, a great knower of men and a great manipulator of them. He will do his best to make the Department of Commerce serviceable as much to little business men as to big business men. He will also make himself immensely useful to the President in all the problems of technical politics.

It will be seen that the four Wilsonians in Mr. Roosevelt's Cabinet are of fairly varied qualities. The same observation, emphasized, must be made upon the three personal New Yorker friends in it: Mr. Woodin, Secretary of the Treasury, industrialist and financier, musician and coin collector, representative of three generations of money and of the cultivation, as well as economic skill, which they should bring; Mr. Farley, Postmaster General, new to the possession of money, gypsum salesman, building materials merchandiser, Boxing Commissioner, devoted professional practitioner of politics; Miss Perkins, Secretary of Labor, student of proletarian problems, social worker, factory inspector, head administrator finally of New York's labor laws, appointed to be Secretary of Labor over the violent protests of organized labor's chief national spokesman.

In these three Cabinet appointees from New York State, Mr. Roosevelt brought to Washington not people picked for him to represent vested interests but people picked by himself to represent the interests and ideals of Rooseveltianism, whatever Rooseveltianism may be. One of them, Mr. Woodin, has been a Republican. All of them have entire confidence in their chief. All of them—and here we may begin to find some clues to the inner nature of Rooseveltianism—are unafraid of new notions, unterrified by organized groups, whether capitalistic or political or proletarian, and willing to fight for and travel into a novel

future. Mr. Woodin does not succumb to Wall Street; Mr. Farley does not succumb to Tammany; Miss Perkins does not succumb to the American Federation of Labor. Yet Mr. Woodin is not anti-wealth, nor Mr. Farley anti-political-machinery, nor Miss Perkins anti-labor. In fact, they are very earnestly pro all these things. They are for them in their own way, in Mr. Roosevelt's way, in the independent way which leads toward that very independent and dominating development—the new deal.

This aspect of the matter is heavily underlined by the three Western Progressive pick-ups in the Cabinet. Mr. Dern, the new Secretary of War, was interested, it is said, in much local progressivism of various political and economic kinds while Governor of Utah. What attracted Mr. Roosevelt to him, however, was his progressivism in the enlarging of the functions of the National Conference of Governors. The making of that conference into an organ of genuinely national utility is indeed a new note in the evolution of our American theory of sovereign States and of Federal union. Mr. Dern sang that note; Mr. Roosevelt heard it and approved.

Mr. Ickes, the new Secretary of the Interior, has been for years the chief ferret of Chicago. He lay at the entrance of the local rat-holes of corruption and could wait for decades till the rats came out to be devoured and destroyed. He was among the first Chicagoans—perhaps altogether the first—to declare a Carthaginian war of extermination upon Samuel Insull. He was—and is—a Republican. He never was able to gather behind him more than the tiniest fraction of the Illinois Republican party. In 1932, he wanted Hiram Johnson for President. Then he wanted Gifford Pinchot. Only afterward did he want Franklin Delano Roosevelt. In supporting Mr. Roosevelt he supported his first big winner in his whole uncorrelated maverick political life. The reward was a Cabinet appointment.

It is explained by the desire of Mr. Roosevelt to please Hiram Johnson. There is a much deeper reason, a psychological reason. Mr. Ickes simply captivated Mr. Roosevelt's fancy. Mr. Ickes's protracted quixotic assaults upon all the most towering strongholds of Chicago and Illinois iniquity qualified him, in Mr. Roosevelt's mind, as being a protagonist of some sort of new deal, of some sort of upsetting of the stodgy Philistines, of some sort of passing of a Jordan into some sort of promised land. So Mr. Ickes, moral hero, and totally unsuccessful Republican politician, is now a Democratic Cabinet officer and a collaborator of Mr. Roosevelt's in the search for whatever the new deal may ultimately turn out to be.

The same sort, precisely, of futuristic politics can be seen in the appointment of Mr. Wallace to be Secretary of Agriculture. Mr. Wallace is an embodiment not of agriculture in general, or as a whole, but of that part of agriculture which strains at the leash toward experiment. Well, give it a chance! So Mr. Wallace is secretary of America's basic industry and a participant in the adumbration of the new deal.

We can thereupon return to our contrast between Mr. Wallace, Secretary of Agriculture and Mr. Douglas, Director of the Budget. It is a comparison which yields at last a resemblance. Mr. Wallace has a progressivism that dares! Mr. Douglas has a conservatism that dares! Each breaks ground toward the future. Mr. Roosevelt, irrespective of progressivism or conservatism, accepts both.

In what mood will Capitol Hill accept that philosophy? In this writer's view it is a philosophy which wholly fits the dominant temperament of the Democratic party in the Senate and in the House of Representatives.

In the House of Representatives the new deal must depend upon Mr. Rainey, Speaker; Mr. Byrns, floor leader; and Mr. Pou, chairman of the Rules Committee. All of them

are both progressive and conservative. Mr. Rainey is seventy-two; Mr. Byrns, sixty-three; Mr. Pou, sixty-nine. All of them have seen many things. The more American institutions are contemplated the more the House of Representatives will be descried to be the sheet-anchor of them. In the House of Representatives, whatever may happen in the Senate or in the Presidency, experience is the basic certificate to power.

Mr. Rainey is so progressive that he desires the recognition of Russia. He is so conservative that he shrinks from vast expenditures upon public works. Mr. Byrns is so progressive that he can vehemently denounce the capitalistic subsidies extended to private interests of supposed national importance by Republican administrations. He is so conservative that any national expenditures at all seem to him to be almost essentially unfortunate. As an ex-chairman of the House Committee on Appropriations, his fundamental aim in our national political life is economy. Mr. Pou, as the continuing chairman of the Committee on Rules, will bring in rules for the expeditious passage of almost any legislation that does not go too far one way or too far the other.

In the House of Representatives there is a vast and vigorous Democratic sentiment in favor of, for instance, experiments with the currency. It will be held within the limits of the Rooseveltian new deal, whatever those limits may be, by Mr. Rainey, Mr. Byrns, Mr. Pou.

It is similarly so in the Senate. Mr. Robinson, the Democratic leader of the Senate, finds himself in charge of a majority which is neither ultra-reactionary nor ultra-radical. Sixteen new Democratic Senators have entered the Senate. Only one of them, Homer T. Bone of Washington, could possibly be regarded as a Democratic equivalent for the defeated and eliminated Republican radical Senator, Mr. Brookhart of Iowa, or even for

Risks of Trade With Russia

By VERA MICHELES DEAN

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AMERICAN trade relations with Soviet Russia have been surrounded with so much hostility to Soviet institutions, which has arisen from moral or sentimental, rather than economic considerations, that the development of normal commerce has been seriously hampered. With the refusal of the American Government to recognize the Soviet régime has been coupled a belief, fostered by our competitors' propaganda, that business with the Soviet Union is unsafe. Under such conditions it is remarkable that trade of any sort could develop.

Nevertheless in 1930 American exports to the Soviet Union totaled \$114,398,537, a figure that did not seem large then, but which today is worthy of consideration. With American foreign trade now at a figure approximating that for 1905, the possibility of penetrating the Soviet market becomes most attractive. As a result, one of the problems which the Roosevelt administration now has to face is whether the traditional hostility to relations with the Soviet Union surpasses the advantages in terms of increased employment and financial gains to American industry which would accrue from recognition and normal commercial relations.

In the fifteen years since the Communist revolution in Russia American exporters have naturally hesitated to extend credits for Soviet trade, since their business would have no diplomatic protection. Throughout this period they have been, as Secretary of State Kellogg said in 1928, availing themselves of the opportunity to engage in trade with Russia "upon

their own responsibility and at their own risk." At present this risk, in the minds of some American business men, has been increased by reports that the Soviet Government may be unable to meet obligations that mature in several Western countries during 1933. With a view to overcoming the difficulties that might be created by such a lack of credits, the American Manufacturers Export Association, representing many American producers, recently proposed to introduce a barter plan, according to which proceeds from the sale of Soviet goods in the United States would be used as a revolving fund for the guarantee of credits extended by American concerns to Soviet trade organizations. Soviet commercial representatives in this country, however, rejected this and similar proposals on the ground that they would not only tie up Soviet exports to the United States, which have already been hard hit by various administrative restrictions, but would constitute a backward step in Soviet-American trade. American exporters therefore have been obliged to face squarely the question whether Soviet trade involves unusual risks and, if it does, whether these risks are outweighed by the advantages of increased exports to the Soviet Union.

Perhaps the most peculiar feature of commercial relations with the Soviet Union, and the one which has troubled many Western business men, is that the Soviet Government has a monopoly of foreign trade. All sales and purchases, with insignificant exceptions, are cleared through the People's Commissariat for Trade,

which is responsible to the State Planning Commission and the Council for Labor and Defense, and is represented abroad by trade delegations, which combine the functions of commercial attachés and sales organizations. The commissariat annually draws up a plan of exports and imports in conformity with economic conditions then prevailing in the Soviet Union and in world markets. This plan specifies the type and quantity of goods which may be exported and imported in the course of a year. As no goods can leave or enter the country without a government license, all foreign trade is thus rigorously controlled. The commissariat, which is in close contact with the principal Soviet enterprises, such as the timber, oil, wheat and metal trusts, must present to the State Planning Commission a quarterly report of the export licenses it has issued to Soviet trusts and other organizations and the import licenses issued by trade representatives abroad.

Soviet exports are financed by the Bank for Foreign Trade and the State Bank, both controlled by the government. The Soviet tariff is largely a fiscal measure. Duties on imports are collected by the State from enterprises which it already controls, and have no perceptible effect on trade.

The trade agreements concluded by the Soviet Union with other States invariably recognize the existence of the monopoly of foreign trade, and accord diplomatic privileges to the head of the Soviet trade delegation, with the exception of immunity from suit. Even in the United States, where no definite trade agreement exists, a Soviet agency, the Amtorg Trading Corporation of New York, has since 1924 represented the principal Soviet trading and industrial enterprises.

Many business men who have traded with the Soviet Union believe that direct negotiations with Soviet trusts and other institutions would enable them to gauge more accurately the needs of Soviet industry and to

avoid some of the red tape which, they say, is involved in transactions with trade delegations. They argue, moreover, that long-term credits would be more readily extended for Soviet purchases if the risks could be distributed over a number of undertakings, and not made contingent on the solvency of the Soviet Union.

Soviet publicists retort that the foreign trade monopoly offers distinct advantages, as it eliminates the expense of advertising and sales promotion, and places financial responsibility squarely upon the Soviet Government. From the Soviet point of view there certainly are many distinct advantages. The Soviet Government can adjust its export and import plans to world conditions with a rapidity and accuracy impossible for private traders. Thus, if estimates of Soviet exports for the current year show a considerable shrinkage in value, the government immediately curtails its purchases abroad, and consequently incurs no obligations which it cannot expect to meet.

Rapid adjustment is of particular importance in view of the fact that the Soviet Union finances its imports under unusually difficult circumstances. Soviet currency, which is passing through a process of marked inflation, is not quoted on foreign exchanges, and its export is strictly prohibited, while foreign capitalists, who might normally have been eager to finance productive enterprises in a relatively undeveloped country, have been alienated by Soviet repudiation of Russia's pre-revolutionary debts, and have shown no disposition to grant loans to the Soviet Union. The Soviet Government must pay for imports with such foreign currency as it obtains for exports, except when it succeeds in obtaining long-term credits, as it has done in several European States. Any increase in Soviet purchases abroad, therefore, necessitates a corresponding increase in exports, often at the price of acute shortage on the home market.

In an effort to supplement its resources of gold and foreign currency, and thus improve its unfavorable balance of trade, the Soviet Government has recently established stores where payment may be made only in foreign exchange, permitted Soviet citizens to receive remittances from abroad for the purchase of goods in these stores, dismissed many foreign specialists whose contracts called for payment of salaries in foreign currency, and revised the contracts of other foreign experts. Every effort has been made to encourage tourist traffic and expand gold production. Nevertheless, as a result of the sharp decline in the value of its exports during the past year, the Soviet Government has been forced to exercise increasing economy in its purchases abroad.

Confronted by these financial difficulties, the Soviet Government has shown a marked tendency to place its principal orders in countries where it can obtain credit facilities. Soviet purchases, the bulk of which were made in the United States in 1930, now go largely to Germany, Great Britain and Italy, whose manufacturers extend credits for Soviet trade, usually in cooperation with their respective governments. These credits range from fourteen to fifty-four months, and are backed by government guarantee—70 per cent in Germany and until recently 75 per cent in Italy.

It is still difficult to discount Soviet bills, as foreign banks handle them reluctantly and at fluctuating, often exorbitant, rates of interest. One attempt to alleviate this situation was made in the Soviet-German trade agreement of June, 1932, which provided that interest paid on Soviet acceptances was to be 2 per cent above the Reichsbank rate, but never more than 10 or less than 7 per cent a year.

Despite the various obstacles placed in the way of Soviet financing, the Soviet Government has hitherto scrupulously fulfilled all its obligations on or before the date of matur-

ity. Some observers have declared that the Soviet Government would "rather die than default" and as a last resort would export gold to pay for its obligations. It is not unlikely, however, that unless the value of Soviet exports is substantially increased, the Soviet Union will face a real test in 1933, when many of its long-term credits fall due. This is particularly true in the case of Germany, where Soviet obligations totaling about \$163,000,000 will mature this year, as compared with estimated exports to Germany of \$87,200,000. The Soviet Government is now negotiating for an extension of some of its credits in Germany and Italy. But the Italian Government has been dissatisfied with the present arrangement, under which Italy pays cash for its Soviet purchases while the Soviet Union buys Italian goods on credit, and on Feb. 4 denounced its commercial treaty with the Soviet Union.

This issue of Soviet credit underlies all discussions of future American exports to the Soviet Union. Until 1931, despite the absence of recognition, the United States ranked as one of the principal sources of Soviet imports. This position of pre-eminence had been attained chiefly because the Soviet Government wished to purchase the most modern machinery and equipment for the development of its program of industrialization and American concerns were particularly well adapted to fill its needs. As a result in 1930—the high point of Soviet-American trade—American exports to the Soviet Union consisting largely of electrical equipment, automobile and transport material, especially tractors and tractor parts, and other machinery totaled \$114,398,537, nearly five times the value of American imports from Russia.

Americans who favor the continuance and development of this trade advocate recognition of the Soviet Government and the conclusion of a commercial treaty. Recognition would doubtless be an aid. Not only would

it serve to minimize the risk which many exporters still connect with Soviet trade, but it would give American business in the Soviet Union the assistance of diplomatic and commercial representatives which it now lacks.

Soviet representatives, however, believe that recognition alone is not sufficient, and that further purchases in the United States depend on the extension of credits, possibly guaranteed by the American Government, or the flotation of a loan. Secretary Kellogg stated in 1928, that the United States "views with disfavor the flotation of a loan in the United States or the employment of American credit for the purpose of making an advance to a régime which has repudiated the obligations of Czarist Russia to the United States and its citizens and confiscated the property of American citizens in Russia." The Department of State, however, has declared that it does not object to "the financing incidental to ordinary current commercial intercourse between the two countries, and does not object to banking arrangements necessary to finance contracts for the sale of American goods on long-term credits, provided the financing does not involve the sale of securities to the public."

A number of American firms engaged in the manufacture of industrial and agricultural machinery have in the past extended credits for Soviet trade. The most important of these was the six-year credit granted by the International General Electric Company in 1928, for the purchase of electrical machinery valued at from \$21,000,000 to \$26,000,000. But such an extension of credits to Soviet trading organizations is still regarded as involving considerable risk, and Soviet acceptances here as in European countries, are rediscounted only with the greatest difficulty and at correspondingly high rates of interest. Advocates of Soviet trade contend that recognition

would facilitate the establishment of adequate banking and credit arrangements and that, in a period of worldwide defaults and bankruptcies, the Soviet Union, with its vast natural resources and untarnished record of prompt payment, is as good a financial risk as any other trading country.

Assuming that substantial credits are extended, the two questions most frequently asked are: What would the Soviet Union buy here? How would it repay the credits? With the official completion of the first Five-Year Plan on Dec. 31, 1932, the Soviet Government believes that it has laid a broad foundation for heavy industry and industrialized agriculture, and that it must now concentrate on the production and distribution of consumers' goods. Consequently, in the near future, the Soviet Union intends gradually to decrease purchases of machinery and buy larger quantities of equipment for light industry and of consumers' goods, most of which have been hitherto barred as luxuries. According to many observers, the Soviet Union offers an almost unlimited market for manufactured products of all kinds, and the demand should increase rapidly with the rise in the standard of living. Soviet trade representatives declare that orders for manufactured goods to the value of \$100,000,000 could be placed in the United States if credits were available.

But Soviet purchases abroad depend in large measure upon the sale of Soviet goods to foreign countries. Only in that way can payments be made. Many Americans, however, have opposed the importation of Soviet products, charging that they are made with "forced labor" and are "dumped" in this country.

In support of the first of these arguments it is asserted that all labor in the Soviet Union is employed by the government, which fixes wages and prices, and that Soviet goods are therefore products of involuntary labor. The Hawley-Smoot tariff prohib-

its the importation not only of articles produced by convict labor, but of those produced by forced or indentured labor as well. But the definition of "forced labor" presents a difficult problem, and the Treasury Department is not in a position, even if it wished, to investigate labor conditions in the Soviet Union, with which the United States has no official relations. As a result, it has refused to take action against Soviet goods merely on hearsay. Competent observers, moreover, have repeatedly stated that, while a certain amount of convict labor may be found in the Soviet Union, as in many other countries, labor in general cannot be described as "forced," and that an unusually high labor turnover actually constitutes one of the most pressing problems of Soviet industry. But the agitation against "forced labor" has subjected Soviet goods to prolonged administrative investigations, involving legal controversies and delays which have seriously hampered trade.

The second argument maintains that Soviet imports are "dumped" in the United States and that a special duty should be levied on them under the anti-dumping act of 1921. "Dumping" is usually defined as the sale of a product abroad at a price lower than that at which it is sold in the domestic market, or lower than the cost of production. In practice it is impossible to determine the cost of production or fair market value in a country like the Soviet Union, where the government is employer of labor, producer and exporter all in one, and where private trade has been reduced to a minimum. That Soviet agencies have on occasion undersold world prices is probably true, but it is doubtful if they have done so to disorganize world markets, on which

they ultimately depend for the disposal of their goods; rather they have been seeking foreign currency at short notice for payment of purchases abroad. Some account must also be taken of inexperience in marketing and the desire to win new and often hostile customers by timely concessions. In the long run the Soviet Government is no more willing than private exporters to suffer losses if it can make profits.

Perhaps the most important argument directed against Soviet trade is that once the Soviet Union has been equipped with factories built with the aid of foreign experts according to foreign blue prints and furnished with foreign machinery, it will become an economically self-sufficient State and, while barring further imports, will flood world markets with manufactured goods which will undersell those of Western nations. Prognostication is always dangerous. It has already been pointed out, however, that the Soviet Union is regarded as a good market for manufactured goods not only today, but for some years to come. Soviet manufactured goods, according to qualified observers, are not yet in a position to compete with those of the Western world, except in countries like China, where the standard of living and purchasing power of the population are comparatively low. Whether Soviet industry will ultimately prove to be the menace which it has sometimes been represented only the future can tell.

At the moment the Soviet Union would seem to be a safer market than many which American business men do not hesitate to enter. In any case, the risk is one which, in the present condition of American foreign trade, it seems our business men might consider taking.

Sidestepping the Farm Problem

By LANE W. LANCASTER

[As Professor of Political Science in the University of Nebraska, the author of the following article has been able to view the farm situation at first hand. His discussion bears the mark, also, of a knowledge of the problems of local government in America.]

FOR more than fifty years every economic force in America has worked against the rural population of the country. In an almost continuous battle to win for agriculture a satisfactory place in a society whose tone and temper have been set by industrialism and the growth of urban civilization, hardly a single skirmish has resulted in real gains for the farmers. And so, when stories of revolt in the farm belt fill the nation's press and the agitation for relief reaches the floor of Congress, the economic historian knows that once again the farmers are desperately taking arms against a host of troubles.

Yet the real issues in the plight of agriculture have seldom been recognized by farm leaders. On the contrary, in seeking temporary advantage for the class they represent, they have played the game according to the rules established by all other seekers of privilege in American society. They have wrangled with Eastern industrialists for tariffs on agricultural products; they have sought local benefits through irrigation projects and inland waterways, and, joining in the scramble for doles from the public treasury, they have demanded lower transportation rates. Nevertheless, the attempt to imitate the successful tactics of the Eastern industrialists has failed because of social forces which have raised obstacles too great for agricultural politics to overcome.

If the difficulties involved in fitting agriculture into a nation-wide pattern

formed by industrial forces are to be understood, causes, not symptoms, must be considered. Thus we come at once to the allied questions of population and the use of land and to the various problems growing out of them. Only on the basis of an understanding of such matters can true statesmanship, as distinct from mere political expediency, develop a sound national policy.

Until about 1880, the rural population of the United States held its own in the national growth. The Federal census of that year showed that only 28.6 per cent of the total population lived in communities of 8,000 or more; in 1890, the figure was 35.4 per cent. Not until 1920 were more than half the population living in urban communities. On the surface these figures would seem to indicate a slow urban growth, but further analysis shows that the rate of rural growth definitely diminished after 1880 and that after about 1890 most of the forces making for urbanization and industrialization had come to stay. By 1930, fifty-six out of every hundred people were living in communities classed as urban. If this told the whole story it would indicate a balance of population which does not in reality exist, for actually the population attached to the soil is much smaller and those who engage in farming are still fewer.

The best estimates now available indicate that the number of persons actually engaged in farm production is not greatly in excess of 25,000,000. This means that the labor of 25,000,000 people is sufficient to produce food for approximately 125,000,000, and also a surplus which experts are agreed is likely to be a permanent feature of our agricultural output. Theo-

retically, there are two possible ways to dispose of this surplus. The first depends upon the ability of the farmer to persuade the city-dweller to consume more of his products. Unfortunately, the demand for food products is inelastic since the human stomach has a limited capacity. Though large numbers of people are still unable to obtain enough food, any greater consumption of foods and fibers depends upon a more equitable distribution of income among the urban population than has yet been achieved.

The second possible market for the farm surplus is abroad. But in countries not yet industrialized, such as India and China, there is insufficient purchasing power to absorb American products at prices which the American producer with his relatively high standard of living could accept. Moreover, even if the sale of products abroad were feasible from this point of view, foreign goods would have to be taken in payment and these would come into direct competition with domestic interests. Those affected would have sufficient political power to prevent by tariffs and commercial regulations the introduction of such products into the American market. Any plan to unload the surplus abroad thus seems doomed to fail.

From the long-time view the prospect at home seems no more attractive. All available evidence points to a slackening in the increase of consumers. Until the end of the 1920s, American producers of all sorts counted confidently upon a rapidly expanding market on the ground that each succeeding Federal census would show a population increase of from 12 to 20 per cent. Here were potential millions to eat bread, use telephones, ride in motor cars. Here, too, was apparently ample justification for grandiose plans to irrigate and reclaim new lands as well as to expand the industrial plant. In short, growth of population was a very good reason for not selling the United States short. But conditions have changed.

The Census Bureau tells a story that is not reassuring for the future domestic market, at least if it is to be geared to the old rates of population growth. The decade 1920-1930 showed a smaller rate of increase in population than any other similar period except that of 1910-1920, when the influenza epidemic and the temporary stoppage of immigration resulted in an even slower rate. Since 1920, however, immigration has been severely restricted and the birth-rate has fallen abruptly from about 24 to less than 19 per thousand. The virtual end of immigration and the limitation of births are almost certain to be permanent, with the probable result that a relatively stationary population of from 150,000,000 to 175,000,000 will be reached in from twenty-five to forty years.

What this means to agriculture is obvious. The farmer now possesses a plant capable of supplying the entire domestic demand for foods and fibers for the remainder of the present century, even if technological advances are halted and no additional land is brought under cultivation. Already there are apparently too many rather than too few persons employed in farming. The problem is not, as some in the hysteria of the depression seem to think, that of getting more people on the land—where they can at best maintain only a subsistence level of life—but rather of getting people off the land. This may seem a hard judgment to a people attached to the soil, but facts are here a safer guide to policy than sentiment. The government can obviously do little to solve such a problem, involving as it does large shifts of population, and it is equally clear that most of the plans now being put forth pay little attention to such fundamentals.

In developing a sound policy for agriculture, the next thing to consider is the use of land. The subduing of the American Continent to peaceful pursuits constitutes a story that for epic quality has few rivals, but, from

the point of view of 1933, it seems to have been done not wisely but too well. Our historic land policy, which sought to build up an independent yeoman class, has been characterized by wasteful and planless exploitation of natural resources. Its realization has been suffused by the optimism of a young, vigorous and hopeful people, but some of the results are now too painfully evident, though their reality may be admitted only grudgingly by the farmers themselves.

The total land area of the United States is slightly under 2,000,000,000 acres. Of this the Department of Agriculture classes a trifle over one-half as land in farms and of this again nearly two-thirds are in woodlots, swamps, stony land, roads, lanes and other uncultivable land. On the remaining 386,000,000 acres the farmers are at present producing foods and fibers to supply the entire population of the United States and leave a surplus large enough to damage the farm-price level. In other words, with only about one-fifth of the land area under the plow or devoted to the raising of meat products, there remains an excess plant capacity the productivity of which is being constantly affected by technological advances and by changing styles in food and fabric consumption.

Certain aspects of this situation were foreseen a generation ago by agricultural experts interested in the land problem, but the knowledge of these men has never made much impression upon the official policy toward agriculture. Congress, with all the available information at its command, has been responsible for appalling waste and extravagance in expenditures for irrigation and reclamation projects and for various schemes for flood control undertaken in the name of agricultural relief. Millions of dollars have been poured into public works, the sole effect of which, apart from benefits to local real estate dealers, contractors and other speculators, has been to increase a

surplus already inimical to a prosperous country life.

In 1931 a delegate of the American Society of Civil Engineers at the National Conference on Land Utilization estimated that the appropriation of \$300,000,000 for flood control on the Mississippi after the disaster of 1927 would cost \$15 per acre for the land benefited. Although various interested minorities may urge additional appropriations, there is no record of any survey having been made to determine whether the lands affected were worth the proposed expenditures. In the sacred name of farm relief—to be achieved through cheaper transportation—enormous sums are spent annually to improve “navigable” streams now carrying “commerce” which, to use the pungent expression of Senator Logan of Kentucky, could all be carried in the shirt-tails of the fishermen along their banks. And this at a time when public credit is being extended to railways which are unable to earn their fixed charges!

This sort of political jobbery is perhaps to be expected under the American system, under which a determined minority easily becomes the effective majority. But the case is hardly better when we turn to the official leaders of agriculture. In their own way they have contributed to the failure to deal in a statesmanlike fashion with the basic problem of how to fit agriculture into the national economy. All the evidence goes to prove that the officials in charge of State departments of agriculture are run-of-mine politicians with little or no conception of the vast forces against which they are expected to pit their powers and with little or no disposition to qualify themselves for their task if by accident they have discovered its proportions.

The record of the agricultural colleges is little better. While in many instances the work of the technical experts in these colleges is beyond praise, the men at the top of the administrative pyramid make a rather

doleful showing. A study of the administrative personnel of American colleges of agriculture shows surprisingly few men of genuinely broad outlook. Their scholarly output is small and for the most part confined to technical problems of production. At a time when the principal problems of agriculture are social in the broadest sense of that term, the trained leaders of agriculture are concentrating their attention upon adding pounds to hogs, increasing the butter-fat content of milk and speeding up the production of eggs. All this may be legitimate work for the expert, but policy-forming officials might reasonably be expected to consider carefully ways to improve rural society and to solve the problems of land utilization and the distribution of the farm surplus. But would not that be the test of agricultural leadership?

The wasteful and unwise use of land and the competition of areas of virgin soil have for years been erecting a new, far-flung national domain. In the last ten years the area of land in crops has decreased in every State east of the Mississippi, as well as in Louisiana, Missouri and Arkansas, as a result of the opening of new areas in the plains States, the development of dry farming and the mechanization of agriculture in the prairie sections. During the same period the wide use of the tractor has eliminated about 9,000,000 horses and mules, thus releasing for crop production between 25,000,000 and 30,000,000 acres formerly devoted to pasture and the raising of food for animals. In the forest regions of the lake States millions of acres of cut-over land are reverting to the States, counties or townships through non-payment of taxes. The same thing is taking place on the Appalachian slopes, in Florida, in New England and New York and in portions of the Pacific Northwest. In New York State alone the abandonment of farms has been taking place at the rate of 100,000 acres a year for forty years and during the last five

years the pace has been more than doubled.

Although these developments have not necessarily increased the supply of land theoretically available for cropping, they have created problems which call insistently for a new land policy. Obviously, government cannot continue to operate successfully in areas where its means of support are constantly dwindling while the demand for public services remains relatively stationary. Every time land returns to the local government and ceases to pay taxes the cost of continuing such services as highways, schools and public health work can be met only by increasing the burden upon the property which is still capable of bearing taxes. In the end this produces more delinquency. Local governments in such rural regions are caught in a vicious circle from which they lack the legal power to escape.

Farms thus passing out of cultivation are likely to be resold by the local authorities to those naive enough to think they can work them with profit. Land companies will attempt to unload such holdings upon the unwary who retain a sentimental belief in the soil as the source of both public and private wealth. Recent suggestions that the unemployed be returned to the land and settled upon abandoned farms might be dismissed as mere pipe dreams if the probable results were not so disastrous. In most ventures of the sort even people familiar with farming would find it impossible to maintain life above the subsistence level. Much of the glib talk about the "teeming millions" that might be supported in certain of our sparsely populated regions must be regarded as sheer nonsense. Climatic and soil conditions are such in many parts of the country that two sections of land are needed to support a single family in comfort. Tax-delinquent land acquired by the public and resold to private individuals in the desperate hope of realizing revenue from it tends inevitably to become delinquent

again and return to public ownership.

The disposition of vast areas permanently unfitted for cultivation demands organization, which is being created only slowly and which is, moreover, likely to prove inadequate until far-reaching changes have been made in the structure of government. Land returned to public ownership may best be dealt with by devoting it to such uses as forests, wild-life refuges, parks and recreation areas; the specific use of each tract can be determined only after a careful survey of its particular qualities. The development of such a program is beyond the resources of existing local governments. In a county or township where less than half the assessed valuation is actually paying taxes, but where there has been no corresponding diminution in the demands for governmental services, it is obvious that aid must be sought from the State.

This situation leads directly to a reorganization of local government, since aid from the State is not likely to be forthcoming unless concessions are made by the local unit, and such concessions inevitably entail the surrender of some degree of local self-government. While such a development will be resisted by every local vested interest, it cannot be held back forever. In the end, and perhaps within a few years, the demise of the fact of local self-government will be formally gazetted, no matter what becomes of the theory. The theory, after all, was devised to meet the requirements of an ox-cart age. In an era of rapid communication and transportation, of an economic life concen-

trated in a few centres, yet national and international in its ramifications, the practice of local self-government must be surrendered. No longer is our civilization centred at the town pump or the hitching rail of the court house.

Such are some of the main lines of attack on the so-called farm problem. Only a little imagination is needed to make clear their implications. If the farmer is to adjust himself to a world dominated by a price economy over which he has hitherto had little or no control, he must realize the fundamental factors which determine his present position in that world; he must face the truth that he belongs to a dwindling breed. Whatever may be the present apparent loss in potential profits and individual freedom of action, he must find a way of regulating his output. Whatever his traditions of local self-government, he must stand ready to reorganize his present complicated and costly system of local areas and adopt a new one consistent with the demands of efficient administration. His well-worn notions of democratic equality and the virtue of homespun common sense must no longer permit the neglect of the findings of experts in the field of public finance and administration. With the best of intentions and the most enlightened leadership it may well be that he is doomed to peasantry, as his fellows have been in every modern industrial State. In any event, he cannot hope to escape political and economic extinction if he continues the homeopathic therapy to which he is now devoted.

India's Case for Independence

By D. N. BANNERJEA

[The question of Indian self-government has again come to the fore with the British offer of March 17 (described elsewhere in this issue). Having from time to time published articles giving the British point of view, we are now printing the following statement of the Indian Nationalist case by an outstanding Indian scholar. Mr. Bannerjea was one of the twelve original members of the Committee of Intellectual Cooperation of the League of Nations. He resigned in 1924, and after serving as adviser to the International Institute of Agriculture in Rome and to the Bureau of Agricultural Economics in Washington, he was appointed three and a half years ago to his present position of lecturer on Indian History and Public Administration in the University of Berlin. In addition to contributions to leading European and American publications, Mr. Bannerjea is the author of three books: *India's Nation Builders* (1919), *The Present Position and Future Possibilities of Indian Agriculture* (1925) and *The Place of the Indian Village in World Commerce*, which is about to be published.]

THE demand of the Indian people to be masters in their own household and to control the future development of their country is justifiable on historical grounds, for no civilized nation with a record of past achievement has ever willingly cooperated in the maintenance of an alien military occupation. The demand, moreover, is in accord with the political development of the British Empire, all the integral parts of which, with the exception of India, are self-governing.

The attempt to belittle the importance of the Indian struggle for freedom and self-expression and to make it appear an exotic on Indian soil, as unsuitable to Indian conditions, ignores both human nature and the lessons of history. If a referendum were taken tomorrow in India on the issue of continued British rule or complete national independence, the

whole people, with the exception of a few Indians who believe they benefit under the present system, would unhesitatingly vote for independence. India does not ask for self-government merely on sentimental grounds, but because of a deep-rooted conviction that it will raise public standards and redeem the national character from the sycophancy, sectionalism and inertia which are the legacies of foreign rule. Behind the fight for freedom there is also the desire to stamp out illiteracy, introduce effective sanitation, and to raise the living standards of the millions engaged in agriculture and industry who now eke out a miserable existence on 10 cents a day.

India's demand for independence means that the resources of India shall be developed for the benefit of Indians instead of foreigners, that the country's manhood shall be mobilized for defense and internal security, and that a public spirit shall be created by the direct shouldering of civic responsibility. And it is only in an atmosphere of freedom that these things can be realized.

The idea that India is to be prepared gradually for freedom by foreign rulers, seeking in the first instance the greater glory of England and committed to the belief that India is not capable of self-government, cannot be accepted as reasonable. An eminent British historian, the late Lord Acton, expressed the idea in a nutshell when he said that "voluntary abdication of power is unknown in history and absurd in psychology." The British officials of the Indian Civil Service, who are removable only by a joint vote of both Houses of Parliament, depend for their very ex-

istence as a highly privileged body on maintaining India in perpetual tutelage. Indeed, the Indian Civil Service is the most powerful and highly organized trade union in the world. At the moment these lines are being written, its spokesmen, who are able to influence the British press and foreign cable agencies, are carrying on an intensive and vigorous propaganda throughout England in alliance with retired Police Commissioners and pro-Consuls from India against the release of Gandhi, the grant of even partial Dominion Home Rule to India and the revocation of the numerous ordinances or emergency legislation, by means of which the Viceroy, in obedience to orders from London, is stifling Indian public opinion and suppressing the national movement.

Only those who are ignorant of the magnitude of British interests in India can believe that Great Britain will willingly prepare the country for self-government. India is the training ground of the British Army, whose maintenance consumes 60 per cent of the country's revenue, while the bombing of unprotected villages across the northwest frontier gives British airmen the requisite training for their work. The 8,000 British officers in the British Army draw salaries and allowances more than enough for 50,000 Indian officers. On the pretext of maintaining law and order in India, Great Britain keeps herself in a state of full military and naval efficiency to meet possible emergencies in any part of the world. In the past India has been forced to finance British wars of aggression and annexation in Burma, Egypt, the Sudan, and even in China.

The greater part of the \$2,500,000,000 of foreign capital invested in Indian railways, irrigation, mines, jute, tea, coffee and rubber is British. Though the companies conducting these enterprises operate in India, they are registered according to English law in England. The invested capital has the exceptional advantage of exploiting cheap labor, and critics are

not lacking who affirm that the incredibly low standard of wages—from 10 to 20 cents a day—is artificially maintained to insure high dividends. Banking, insurance and shipping are British monopolies so far as Indian exports are concerned. The railways, too, are entirely in British hands, and not a single Indian has so far been appointed to the Railway Board. The losses incurred by the railway administration are made good out of Indian funds by loans subscribed for the purpose. Furthermore, 90 per cent of the \$3,500,000,000 capital subscribed to India's public debt is also British, India being responsible for the payment of principal and interest while the dividends go to British investors. It has been estimated that 25 per cent of all dividends from British investments abroad comes from India.

The Earl of Winterton, a former Under-Secretary for India, calculated in 1927 that some 8,000 retired civilians in Great Britain annually draw pensions aggregating \$20,000,000 out of India's public funds. While, according to the estimate of Professor K. T. Shah, the average annual income of the Indian people in 1924 was \$21 per capita, the large army of highly privileged officials in the civil services are paid salaries on a scale out of all proportion to India's resources and after twenty-four years retire on annual pensions of just over \$6,000. These pensions, like the major part of the salaries paid while in service, are spent in England or elsewhere outside India. Within the last twenty years the salaries of officials have been twice increased in accordance with recommendations embodied in the Islington (1913) and the Lee (1925) Royal Commissions, those of the latter being certified by the Viceroy in defiance of the adverse vote of the Indian Legislative Assembly.

But it will be asked, Are not the British authorities themselves in complete agreement with India's national aspirations? The reply is that the

British Government has paid lip loyalty to these aims, but its entire contribution during the century and a half of its rule has been almost negligible. Today the maintenance of the British army in India—British because in spite of its Indian elements it is entirely under British control and subserves British purposes—consumes nearly 60 per cent of India's revenues, whereas not even a third of that sum is devoted to education.

According to the official *Statement Exhibiting the Moral and Material Progress and Condition of India, 1929*, "few will be found to deny that lack of education, especially among the masses, is one of the main roots of India's ills, social, economic and political, and that her comparative backwardness in so many spheres of human activity is traceable to this ultimate cause. On the eradication of this defect depend alike the economic uplift of the people and the full and intelligent realization of those ideals of nationhood and self-government so long and fervently cherished by her political leaders." When we contrast this eloquent appeal with the actual achievement, we find that during more than a century of educational effort, out of a population of 280,000,000 (excluding the population under the jurisdiction of the ruling Princes) the government's policy has produced only 18,000,000 literates, namely, people who can read a short letter in a provincial dialect, do a simple sum and sign their name to a document.

The character of British rule or the success or failure of a foreign administration, however benevolent, is not the issue. Even if British rule has notable and lasting achievements to its credit, that would in itself constitute its most crushing indictment. A system of bureaucratic despotism cannot be indefinitely maintained without destroying the initiative and moral stamina of the governed.

This result is achieved in two ways. First, the formulation of policy and the promulgation of the necessary

measures to give it effect remain in the hands of the political, judicial, military and educational secretaries of the government of India, who until recently have been exclusively British and are still mainly so. Secondly, the general policy has been to reserve all positions of authority and initiative in the military and civil services, with their attractive emoluments and generous pensions, for the privileged British hierarchy, while distributing the lower positions that pay from \$25 a month and upward to a large army of Indian subordinates who carry out instructions and do all the detailed work for their British superiors. It is the scramble for these subordinate positions that has helped to bring about the deterioration of the national character, for the essential conditions of admission are servility, lack of initiative and the "loyal" record of the candidate's family.

"In all attempts to govern a country by a benevolent despotism, the governed are crushed down," said Ramsay MacDonald in his book, *The Awakening of India* (1910). "They become subjects who obey, not citizens who act. Their literature, their art, their spiritual expression, go. When we recall the riches of Indian civilization in the past, it becomes plain that the loss of initiative and self-development has been greater in India than in almost any other country." In making these statements Mr. MacDonald only reaffirmed the dictum of Professor Seeley, who in his *Expansion of England* said that "subjection for a long time to a foreign yoke is one of the most potent causes of national deterioration." It is self-evident that officials belonging to another country and tradition, not knowing the language of the people, spending their personal and social life in complete isolation from the people, cannot be expected to understand the crying needs of a country 25 per cent of whose population goes to bed from year to year without having taken a single substantial meal.

These failures and misunderstandings are not due to a double dose of original sin in the British officials concerned. Placed above want, even living on a scale impossible in their own country, and maintained in privileged authority, it is not possible for them to visualize the urgent needs of those committed to their charge. Neither their devotion to duty as defined by themselves nor their administrative efficiency can be disputed, but since they do not belong to the country the promotion of its welfare does not lie very near to their hearts. As they do not have to live the life of the people or take their part in its joys and sorrows, struggles and frustrations, administrative efficiency and the promotion of the public good tend to become separate things. Gandhi expresses the same idea when he compares the needs of the official to those of an elephant and the needs of the people to those of an ant, and suggests that there is not much possibility of reconciling the two.

India's 700,000 villages have been so grossly neglected that in many of them a pure water supply does not exist. The treatment of preventable disease shows few results apart from the initiation of half-hearted efforts in isolated instances. At a time when the resources of modern science could stamp out disease, dirt and ignorance from rural India, the attempts so far made have been appallingly inadequate. Here is the testimony of the experts of the Royal Commission on Indian Agriculture: "Sanitation, in any accepted sense of the word, is practically non-existent. * * * This predisposes to hookworm infestation and to the spread of all the diseases which are caused by a polluted water supply, for the same water is in many places used both for drinking and bathing purposes. * * * Unprotected wells and tanks; unswept village streets; close pent windows excluding all ventilation; it is in such condition that the average villager lives."

This statement illustrates the *lais-*

sez-faire policy of the government. Living in towns and absorbed in their own departmental work, officials dare not embark on legislation, however elementary or urgent. Repression is freely resorted to by the government to crush opposition to its will, but it abstains from the exercise of even persuasive pressure to carry out the simplest requirements of public health. The logic of the situation obviously demands the election of the people's own representatives pledged to a policy of progressive reform and inspired by the ambition to raise India's position among the nations.

At this point the familiar objection will probably be raised that India is a mere geographical expression, apart from the political and administrative unity which British authority has given it, and that it is erroneous to speak of national demands or representatives chosen by the people. India, however, has always been the historical expression of distinctive cultural and political affinities within a definite geographical area ruled for centuries by Hindu emperors like Chandra Gupta, Asoka and Samadra Gupta, who not only governed the greater part of India but gave her a settled administration, code of laws and industrial and agricultural prosperity, or by Mohammedan Emperors like Baber and Akbar, the latter of whom brought India to her summit of political solidarity, even-handed justice, religious toleration and prestige among the nations of the world. Baber, Hima-yun and Akbar are described by Renan as "the most striking personalities in medieval India, who can easily challenge comparison with the best rulers during the period of Enlightenment."

Except when foreign invaders disturbed the public peace, the Hindus and Mohammedans of India have lived together on amicable terms for centuries. But the British have created artificial standards for measuring national unity, such as a uniform lan-

guage and a common religion—standards which can be shown to be entirely inapplicable to many sovereign national States for the simple reason that national unity is determined by the desire for national sovereignty within defined territorial limits. If the assimilation of diverse elements and races under the influence of such a national sentiment in India has not proceeded more rapidly, it is because the entire State machinery has been and is directed toward hindering the process. Such political expedients as separate electoral colleges for Hindus and Mohammedans, for Anglo-Indians and Indian Christians, to which the members of the provincial legislatures and the National Legislative Assembly are sent, not to fight on common Indian issues, but for special privileges for their several communities, can only be described as rooted in a policy of "divide and rule," whatever official explanation may be given for such expedients. This much was admitted by Lord Olivier, who was Secretary of State for India in the first British Labor Cabinet, when, in a letter to the London *Times* in 1926, he said: "No one with a close acquaintance with Indian affairs will be prepared to deny that, on the whole, there is a predominant bias in British officialdom in favor of the Moslem community, partly on the ground of closer sympathy, but more largely as a makeweight against Hindu nationalism."

Equally untruthful and misleading is the allegation often made that the Indian National Congress is an instrument for the establishment of Hindu hegemony and that, therefore, the Mohammedans generally hold aloof from it. On the contrary, the Congress has drawn upon itself the hostility of Prime Minister MacDonald and Sir Samuel Hoare, Indian Secretary in the present British Government, because it stands for no race or creed, avoids all sectarian controversies and concentrates its energies on the early es-

tablishment of self-government. Nor do the Mohammedans hold aloof from the Indian National Congress. It is an open secret that the British Government in India used machine guns on peaceful crowds in Peshawar only two years ago and resorted to wholesale terrorism in order to break up the branches which rallied under the Congress standard. The so-called Mohammedan leaders, whose names appear in English and Continental newspapers, are mere creatures of the government, without standing in India and without influence there except in the direction of working mischief. Hindus and Mohammedans could reach agreement tomorrow were it not for the continuous wire-pulling of those in authority who expect to benefit by keeping them divided. In such circumstances, India is convinced that it is not possible to realize any practical scheme of self-government by cooperation with the British Government.

The non-cooperation movement is not, as has been alleged by Sir Samuel Hoare, a movement to undermine authority. It has as its sole object to compel the British Government to redeem the solemn promises repeatedly made of the grant of self-government to India, pledges to which the British Government and Parliament stand irrevocably committed. Yet it is extremely difficult to make this fact known to the rest of the world, for India's adversaries control the cable agencies and various organs of public opinion, flooding Europe and America with their Blue Books and propaganda sheets and having at their disposal an army of trained lecturers. At the same time, censorship and confiscation are freely resorted to. Recently such books by American authors as Dr. J. T. Sunderland's *India in Bondage*, Will Durant's *The Case for India*, and Bishop Frederick Bohn Fisher's *That Strange Little Brown Man*, a biography of Gandhi based on a close personal friendship and an impartial study of India affairs have been suppressed in India.

The present situation in India is very dark. The reign of law has been suspended, and the government, in order to break down all opposition to its will, rules by emergency decree, special tribunals and a complete denial of the elementary liberties of the press, speech and public association. In Calcutta and various other towns in Bengal martial law prevails in all but name; the public thoroughfares are patrolled by British soldiers and every effort is made to stifle public opinion and political protest. The government has thus forfeited the basis of its authority.

Since the peace settlement of 1918, India has continuously charged the British Government with betrayal of its plighted word. Was it for a few petty concessions—ten more Indians in the Indian Civil Service or five more "honorary" lieutenants in the army—that India was called upon to sacrifice more than a million men and over \$500,000,000 and to subscribe to a war loan of another \$700,000,000 in the great war for the liberation of all nations groaning under an alien yoke? The struggle between the Indian National Congress and the British Government must continue as long as the latter is determined to preserve its despotic authority.

The first Round Table Conference, which met in London in 1930, was not taken seriously in India, because Gandhi and the Indian National Congress were excluded from its deliberations. The second conference, however, was attended by Gandhi, who left India on Aug. 27, 1931, as the plenipotentiary of one of the high contracting parties to the Gandhi-Irwin pact. But on arriving in England, Gandhi discovered that strenuous and subtle efforts were being made by the cleverest brains of the British Empire to submerge all fundamental issues. The ruling Princes of India expressed their willingness to enter an Indian federation, partly as the result of exuberant and untempered enthusiasm to assist in developing a federal government,

but largely under the tutorship of those who sought to hinder the growth of responsible institutions with the weight of medieval tradition. The Lord Chancellor delivered solemn orations, Mr. MacDonald philosophized on Indian culture and many noble Lords exchanged notes of good-will with their Indian fellow-delegates, without coming to real grips with any subject, without defining the limits of the proposed federal authority or of the powers to be delegated to the provinces. The proceedings dragged on like a "tale told by an idiot, full of sound and fury signifying nothing."

With the exception of Gandhi, the delegates to the second conference were nominees of the Viceroy or of the Provincial Governors. The only Nationalist Mohammedan that was not excluded was Sir Ali Imam, who was made a scapegoat and the butt of Tory ridicule at the House of Commons gathering where Maulana Shaukat Ali, the so-called Communalist leader, but really a retired official of the Opium Department, sang the glories of the British Empire, embraced police officials and dreamt of creating a new Caliphate. The Round Table Conference failed because its organizers relied on the differences between Hindu and Mohammedan Communalists to obstruct the way to a fruitful agreement.

An insight into the minds of the delegates nominated by the Viceroy may be obtained by the following excerpt from Command Paper 3997, page 157, which reports Mr. Fazl-ul-Haq as saying: "My God is for separate electorates; his God is for joint electorates. So far as my God is concerned, He is for separate electorates. Dr. Moonje's God is all for joint electorates. We educated and cultured people have been selected with some care by the government of India to come here and discuss and try to arrive at a common agreement regarding the future Constitution of our country and could not get rid of our communal bias."

The so-called Indian policy of the British Government, which Parliament was asked on Dec. 3, 1931, to approve, was no policy at all, but a rough outline of general principles and a miscellany of abstract proposals. Winston Churchill, who was criticized as a Tory Diehard for opposing it, spoke in reality as the mouthpiece of the same Conservative party of which Sir Samuel Hoare is a member and on which Mr. Ramsay MacDonald depends for his present position of Prime Minister. "It was," Mr. Churchill said, "part of the innocent lobby propaganda of the Conservative whips that there was no need for Conservative apprehension about the Prime Minister's declaration or about the Round Table Conference proceedings, because, it was said, all depended on agreement between Indians themselves, and this agreement would certainly not be obtained."

The conference broke up because, in spite of the spirited and friendly appeal of Wedgwood Benn and H. B. Lees-Smith, members of the Labor Cabinet, to save the conference from a disastrous ending, Mr. MacDonald

and his Tory masters were determined to exploit to the fullest the result of the general election that had meanwhile taken place and given the Conservatives an overwhelming majority in the House of Commons. It was an open secret that before the delegates left for home the prisons in India were being emptied of ordinary criminals to make room for Gandhi and his non-cooperators. As for the third Round Table Conference, it was merely an assemblage of miscellaneous titled nonentities, without any mandate from the Indian people and without influence to carry out any of the proposals on which agreement is said to have been reached behind closed doors on Dec. 24, 1932.

In striving to suppress the Indian demand for freedom, the British are fighting against the time spirit, whereas India, in struggling against its bondage, is no more than obeying the necessity expressed in the immortal words of Thomas Jefferson—"to assume among the powers of the earth the separate and equal station to which the laws of nature and of nature's God entitle them."

Trotsky Turns Historian

By GEORGE VERNADSKY

[The author of the following article, a Russian by birth, is a member of the faculty of Yale University. He is perhaps best known in the United States for his works: *A History of Russia*, *Lenin: Red Dictator* and *The Russian Revolution: 1917-31.*]

IT has been in exile during what Trotsky hopes will be only an interval between his past and his future political ascendancy that he has written *The History of the Russian Revolution*. (Three volumes. New York: Simon & Schuster, 1933. \$10.) It is a truly monumental work and a rare—perhaps unique—case of the history of a great revolutionary movement told by one of its outstanding leaders. Of the other Bolshevik leaders, Lenin was until the end too busy with everyday administrative duties to consider writing a history, as is Stalin at the present time. In the great French Revolution, too, neither did Danton nor Robespierre nor the other leaders have the opportunity of looking back upon their revolutionary work.

One other prominent man of the Russian revolution, the leader of the Constitutional-Democratic or Kadet party, Professor Miliukov, however, has also written a history of the revolution, covering approximately the same ground as Trotsky's. (It was published in Sofia, Bulgaria, in 1921.) But Miliukov was at the helm of events less than two months before he was quickly pushed aside by the more radical elements. Moreover, in the eyes of the Socialists, Miliukov, as a bourgeois, was, and could not help but be, an enemy of the revolution as they understood it. And, incidentally, Trotsky's opinion of Miliukov's history is not a high one. According to him, the book "is false from beginning to end."

To understand the significance of Trotsky's book one should glance back at his career in the Russian revolutionary movement. It opens in 1903 at the convention of the Russian Social Democratic party when in the split between the Bolsheviks and the Mensheviks Trotsky sided with the Mensheviks. The Bolsheviks, headed by Lenin, advocated a violent revolution directed by a secret body of leaders; the Mensheviks preferred the tactics of parliamentary opposition on the model of the German Social Democrats. Trotsky's ascendancy as a revolutionary figure, however, dates from 1905, when he became the chairman of the first Russian Soviet in St. Petersburg. At that time he attempted to maintain a balance between the Bolsheviks and the Mensheviks while promoting his theory of "permanent revolution." Russia, he argued, must enter the gates of revolution by the path of democratic, bourgeois revolt, which later should be converted into an implacable socialistic upheaval.

Arrested soon after by the administration of Count Witte, Trotsky was tried and exiled to Siberia, from which he made a daring escape. After spending a few months in Finland he settled in Vienna, where he was living at the outbreak of the World War. Again he swung to the Mensheviks, various groups of which he tried to unite into a single bloc. During the war he lived first in Switzerland, then in France until he was deported to Spain because of his defeatist propaganda. In 1917, when the news of the Russian revolution came, he was in the United States, but at once he sailed for Russia. At Halifax he was arrested by the British police, who let him go reluctantly, and only because of the in-

sistent demand of the Provisional Government. By May, 1917, he was once more in Russia, where he at once became one of the most prominent political leaders.

During the war he had withdrawn from the Mensheviks because they were not ready to share his "defeatist" ideas, but he did not join the Bolsheviks. Even after returning to Russia he maintained a position between the two factions, and it was only in August, 1917, that he finally yielded to the more radical Bolsheviks. He was arrested by the Provisional Government after the so-called "July uprising," which was the first abortive attempt at a Bolshevik revolution. In September he was set free, since the Provisional Government was then in need of allies against General Kornilov's counter-revolutionary movement. Soon after his release Trotsky was elected chairman of the Petrograd Soviet, and at once he began preparing the Bolshevik coup d'état which was planned for November. During this period Trotsky displayed an activity which can be described only as feverish; his usual platform was the *Circus Moderne*, which he described so picturesquely in his memoirs. For a time he yielded before Lenin's authority. Lenin greatly appreciated Trotsky's ability and urged him to become Commissar of Foreign Affairs and then Commissar of War in the Soviet Cabinet. After Lenin's exit Trotsky was no longer ready to submit to party discipline, since he aspired to obtain the leadership himself. At this juncture came his clash with Stalin which finally led to exile on Prinkipo Island.

The three volumes of Trotsky's work present the story of the Russian revolution from the downfall of czarism in March, 1917, to the Bolshevik uprising in November.* Trotsky's own

ambition is not that of producing an "impartial" book, since he does not believe in the possibility of impartiality in historical writing. He claims, however, to have given "an honest study of the facts, a determination of their real connections, an exposure of the casual laws of their movement." And, on the whole, has he not succeeded in doing so?

No one, of course, would expect to find impartiality in Trotsky's picture of old Russia. And yet one cannot deny that the chapters devoted to the historical background of the revolution are cleverly organized, that the weak points of the monarchy are adroitly exposed and that the rapid industrial growth of pre-war Russia is recognized.

"Between the first revolution and the war industrial production in Russia approximately doubled," he admits. Nevertheless he takes issue with Professor Pokrovsky's opinion that "we must abandon the legend of backwardness and slow growth" in Russian economic life.

The March revolution brought about an attempt to create a democratic régime by means of a coalition between the radicals (Kadets) and the Socialists (both Mensheviks and Social Revolutionaries). The new government styled itself as "Provisional" because of the idea that only a Constituent Assembly elected by universal suffrage was qualified to organize a permanent democratic government. The date for electing Deputies to the Constituent Assembly was, after some hesitation, finally set for Nov. 25, 1917, but three weeks before this date the Bolsheviks seized power in the name of the Soviets.

Trotsky's aim is not only to describe the events of these months but to expound their inner connection and underlying motives. The March revolution, according to him, succeeded in building up only the appearance of a new government whose overthrow by the Bolsheviks was inevitable since they alone understood that the foun-

*Trotsky has kept the old style calendar in his narrative in accordance with Russian usage. (The old style was in force in Russia until February, 1918.) Thus Trotsky speaks of February and October revolutions instead of March and November.

dation of the new régime could be laid only by a Communist revolution. The fundamental mistake of the Socialists, according to Trotsky, consisted in their hazy conception of the nature of the revolution. Both the Mensheviks and the Social Revolutionaries were of the opinion that what took place in Russia in March, 1917, was a democratic or semi-bourgeois revolution; because of this view the Socialists believed that a compromise with the Kadets, or bourgeois democrats, was essential. Thus, in Trotsky's opinion, the Socialists became "Compromisers."

The Social Revolutionaries were more interested in agrarian than in proletarian socialism, but even the Mensheviks, who were pure Marxists, opposed the idea of a proletarian dictatorship in Russia. The Mensheviks argued that since Russia was a backward country, the capitalist system was still for a period the only possible economic system. Trotsky takes issue with this Menshevik assertion. "Capitalism," he says, "is not a national but a world-wide system. The imperialist war and its consequences demonstrated that the capitalist system has exhausted itself on a world scale. The revolution in Russia was a breaking of the weakest link in the system of world-wide capitalism."

If, according to Trotsky, the "Compromisers" failed to adapt their theories to the sociological factors which made a further "deepening" of the revolution inevitable, their greatest practical failure was the result of the lack of real leadership among them. The exiled historian cannot help reveling in bitter comment on the Socialist leaders. One of them, Avksentiev, is characterized as a "complete caricature of a statesman," as "a man made for provincial banquets but not for a peasant war." Skobelev produced on Trotsky "the impression of a student playing the rôle of statesman on a home-made stage." Kerensky, Minister of Justice in the first Cabinet of the Provisional Government and

subsequently its chairman, had, in Trotsky's opinion, "no theoretical preparation, no political schooling, no ability to think, no political will." Only one man among the Socialists receives milder treatment from the pen of Trotsky, and that is Martov, the veteran Menshevik, but even he proved to be not much better during the great crisis, when, declares Trotsky, he "floundered hopelessly and swung in the air." It was especially in the military branch of the administration that the Russian Socialists failed. "The petty bourgeoisie intelligentsia could give the army a considerable number of lower officers, as they had done under czarism, but they could not create a commanding corps in their own image, for they had no image of their own."

It is, however, not against the Socialists that Trotsky directs the choicest arrows of his bitterness. The Bolsheviks themselves, in his opinion, were no less ineffectual, and it was only the insight of both Lenin and Trotsky that finally succeeded in pulling them in the right direction. Before Lenin's arrival from Switzerland the Bolshevik party, according to Trotsky, shared with the Socialists the failure to provide the revolutionary movement with real leadership. The workers started the street demonstrations in Petrograd at the end of February, 1917, without guidance from the Bolshevik committee. The "fraternizing" between the revolutionary workers and the Cossacks resulted from the initiative of individual workers and not from the Bolshevik or any other organized political party. After the formation of the first Cabinet of the Provisional Government, which was entirely bourgeois with the exception of Kerensky, the leaders of the Bolshevik party then at hand decided to support the temporary agreement of the Soviets with the government. Stalin, in particular, is to be held responsible, in Trotsky's opinion, for the "opportunist" tactics of the party.

It was Lenin's arrival from abroad

that changed the party's policies and raised the banner of civil war. Trotsky returned to Russia with the same ideas as Lenin and the two became allies in the struggle to overthrow the Provisional Government and the Socialist majority in the Soviets. Thus Lenin and Trotsky worked hand in hand, while Stalin helplessly tumbled after. Such is Trotsky's account of the trends within the Bolshevik party in 1917.

Trotsky's narrative is undeniably permeated by ill-suppressed bias. While writing his book he attempted to eliminate the personal element as far as possible. He chose to speak of himself in the third person and with considerable reserve. Nevertheless, all the three volumes of his history are essentially partial in their underlying motives. This is to be expected, particularly if we consider the circumstances in which the book was written. For Trotsky the picture of the past is but a setting for the future. Having been expelled from the Communist party by Stalin and his associates in 1927, Trotsky quite naturally is disposed to find fault with everything Stalin has done. On the other hand, he attempts to justify and defend his own point of view by constantly invoking the name of Lenin. In addition to being a history of the Russian revolution, Trotsky's book is an impassioned invective against his enemies.

A great master of the technique of revolutionary movements, Trotsky has succeeded in giving us penetrating glimpses into the growth of revolutionary ardor among the proletarian masses of Petrograd. His method consists in a psychological analysis of the changes in the mood of labor. The late Professor Pokrovsky, a leading Communist historian of Soviet Russia, expressed some reservations as to Trotsky's method. According to Pokrovsky, Trotsky paid too much attention to the psychological aspect of the revolution while failing to give

due consideration to its economic side. Answering Professor Pokrovsky, Trotsky remarked that "it would be the crudest mistake to assume that the second revolution was accomplished eight months after the first, owing to the fact that the bread ration was lowered during that period from a pound and a half to three-quarters of a pound. In the years immediately following the October [November] revolution the food situation of the masses continued steadily to grow worse. Nevertheless the hopes of the counter-revolutionary politicians for a new overturn were defeated every time."

There can be no doubt that the economic hardships of the Russian people during the period of the Provisional Government were but a mere trifle as compared with those of the subsequent period. Indeed, it was only the introduction in 1921 of the New Economic Policy (NEP), bringing about the reconstruction of both industry and agriculture, which saved the revolution from complete collapse. But was not the NEP a new compromise with capitalism? There can be no doubt that it was. It proved, however, to be only a temporary manoeuvre of the ruling group, and a new drive of military communism began in 1928 in the form of the Five-Year Plan.

Throughout this first decade of the Russian revolution Trotsky stood out as one of the "Big Three." If Lenin may be called the Cromwell of the Russian revolution, and Stalin its Robespierre, Trotsky is its Danton. Though each of the Russian leaders has a character all his own, Trotsky is the direct opposite of the other two in more than one respect. Both Lenin and Stalin are of the ascetic type of Russian revolutionary—real high priests of the Communist church—but Trotsky is a man of a much more secular disposition. While the first two represent in this respect the traditional tendency of the Russian intelligentsia, Trotsky's personal tastes

are much more those of the international middle class.

Neither Lenin nor Stalin showed much concern over the outward display of their sovereignty. It was the essence of power they sought and not its pomp and pageantry. Trotsky, on the other hand, was ever in need of a stage, an audience. It was because of this diversity in their methods and ambitions that Lenin and Trotsky supplemented each other so completely during the November revolution of 1917. While Lenin, remaining under cover, directed the course of events and manipulated the secret strings that set the whole revolutionary machine in motion, Trotsky was on the stage delivering dramatic speeches, giving drastic orders to the military revolutionary committee, leading a violent campaign against the Mensheviks and other "Compromisers." If one attempts to select from the press of that period materials bearing on the progress of the revolutionary movement—as, for example, Oldenbourg has so aptly done in his *Coup d'état Bolchéviste*—one might easily obtain the impression that Trotsky was the chief, if not the only, promoter of the revolution. But that impression would be wrong. In the background was the mighty, though shadowy, figure of Lenin.

Another and perhaps more serious discrepancy between Trotsky and the two other leaders is to be found in their attitudes toward what may be called the national aspect of the Russian revolution. All three have always professed an ardent internationalism. The Russian revolution has always been for them, in theory at least, merely the first stage of a world cataclysm. It was in the name of the Red International that the victories of the revolution in Russia were fought and won. But the world revolution was too long in abeyance, and Russia alone was prompt in offering herself as a laboratory for Communist experiment. Gradually the Communist leaders began to draw the in-

evitable conclusions from this turn of events.

After the introduction of the New Economic Policy, which was a kind of temporary compromise with capitalism, it was no longer communism but rather State socialism that Lenin preached. At the time of his death he was introducing what amounted to a kind of new democracy in Russia. Then came Stalin with his idea of "building up socialism in one country." The idea of internationalism was not forgotten; neither was the machinery of the Comintern discarded; but the chief efforts were directed to meeting the needs of the Soviet State. In contrast, Trotsky has kept intact his internationalistic frame of mind. While he explained Lenin's views during the NEP period as tactical changes only, he can find no words strong enough to emphasize his opposition to Stalin. Stalin and his associates are, according to Trotsky, but the "epigones" of the revolution who are entirely lacking in the true spirit of internationalism. Their tendency to occupy themselves with "building up socialism in one country" is, for Trotsky, another reflection of that backwardness which is characteristic of Russia and the Russian Government even after the revolution.

Leader of Russian labor, war lord of Russia during the great revolutionary struggle, Trotsky had in reality only a deep feeling of inward contempt for the "backward country" he ruled and the "backward people" he knew so well how to sweep off their feet with his fiery speeches. It is significant that he seems to have had few, if any, personal friends among the Russian proletarians; at least such is the impression produced by his memoirs. Throughout his life the Russian workers have remained to him just so many colorless varieties of the same species, wholly lacking in individual characteristics. In 1920, when Trotsky was appointed dictator of the Russian railroads, he clashed violently with the chairman of the

railroad workers, Andreyev, who was indignant at Trotsky's highhanded ways of dealing with labor. One should, however, recognize that Trotsky did restore the functioning of the railroads, a matter of urgent necessity for the Soviet Government in view of the Polish war.

After Trotsky's rupture with his colleagues in the Soviet Government, it was precisely this alleged contempt of Trotsky's for the average worker that caused the outburst of accusations against him. One of the leading Soviet newspaper men described Trotsky as "a haughty gentleman with a cane" who looked with disdain on the actual proletarian. Trotsky's arrogant ways created enemies for him, and not alone among the factory workers. Once during a meeting of the Soviet Cabinet Trotsky made an irate comment upon the "mediocrities" who think themselves able to discuss matters of state. Molotov, after Stalin the second strong man in Russia, quietly retorted: "Everybody cannot be a genius like Comrade Trotsky. But he who wins is the ablest. So let us see." Events have thus far justified the speaker; Trotsky went into exile, while Molotov became chairman of the Sovnarkom (the Council of People's Commissars).

Not even Trotsky's opponents can, of course, deny that by nature he is endowed with brilliant capacities. Captain Hill, who was in Russia in 1918 as a British agent and who gave Trotsky lectures on aviation, says in his book, *Go Spy the Land*, that Trotsky "had marvelous powers of concentration and the knack of putting his finger on the weak spot of any-

thing." "Apart from myself," continues Captain Hill, "he had lessons every day from Russian experts on the subject of one military branch or another, and they all found in him the uncanny perception which I have mentioned. For four or five months Trotsky devoted all his time to the art of war, and became a brilliant leader and founder of the Red Army, a queer fate for a man who had been for years one of the greatest anti-militarists in Europe."

Trotsky's capacities seem to work at best during periods of storm and stress. He not only electrified the masses during a critical period of the national cataclysm; he himself became electrified as well. On the other hand, his strength seems to fade away during periods of relative quiet. The same man who showed such quick energy and determination in preparing the Bolshevik coup d'état in November, 1917, proved to be quite lacking in strength during the inter-party struggles after Lenin's death.

No one can tell what the next move of the Soviet Government will be, nor is it possible to predict what shape world issues will take during the next generation. Will the present-day economic isolation of Russia result in the breaking up of the world into closed economic provinces or in the long run will the forces of internationalism win? The adequateness of Trotsky's interpretation of the Russian revolution depends apparently upon the accuracy of his theory of "permanent revolution." But at any rate, Trotsky the historian is inseparable from Trotsky the political leader.

The Douglas Cure for Economic Ills

By GORHAM MUNSON

[Mr. Munson, a well-known American literary critic, is now the American representative of *The New English Weekly*.]

THERE is living in London today a gentleman who departs as widely as possible from the revolutionary type and who is yet regarded as profoundly revolutionary by thousands of followers in the British Isles and in the Dominions. A cousin of Lord Weir and a graduate of Cambridge, he looks like a British squire, stocky, ruddy of complexion, well groomed, and his temperament is Tory, as one might expect. There is not a trace of the fanatic about him. He has written books in a style marked by great condensation and understatement. He has worked hard at his profession, engineering; he has made inventions whose royalties now give him a comfortable life; he has a military title gained as assistant director of the Royal Aircraft Works during the World War. He enjoys fishing and yachting. He is a patriot.

Yet to this man, Major C. H. Douglas, the following tribute has been recently paid by a weekly devoted to spreading his ideas: "Adam Smith was the first great political economist. Since his day there have been only two others, Karl Marx and Major Douglas. All the rest have been and are 'economists' without political sense or vision. Adam Smith for capitalism; Karl Marx for communism; Major Douglas for economic democracy."

Major Douglas began his career in India in the early part of the century. He was considered a brilliant engineer and was in charge of the Westinghouse interests. By profession he was trained to grapple with physical diffi-

culties, but he soon found that in any undertaking assigned to him there were financial anomalies to contend with which were far more effective in impeding his work than the physical realities he faced. The Controller General of India was a friend and at dinner used often to dwell on financial anomalies, invariably concluding his remarks with the statement that gold and silver have very little to do with the industrial situation while credit had everything to do with it. Major Douglas has since confessed that at the time "credit" was a word without meaning to him, but all the same the Controller General gave his mind a focus that it has never lost.

Just before the outbreak of the war, Major Douglas returned to England to do some railroad building. The war was a series of revelations to him, culminating in the great revelation, according to his followers, of the mathematical defect in national loan accountancy which results, along with other better known causes such as saving, in a chronic insufficiency of purchasing power. This defect he has sought to express in what is known as the "A plus B theorem," which, it is claimed, has never been refuted. It can be claimed too that it has never been accepted, and is still, as it was when first propounded, a matter for sharp controversy.

To explain this theorem Major Douglas represents as A the flow of purchasing power to individuals (wages, salaries and dividends), and points out that all A payments go into price. But there is another class of payments represented by B, which are made not to individuals but to organizations (bank

charges, taxes, raw materials, overheads of one description or another), and these also enter as costs into price. Hence the rate of flow of price cannot be less than A plus B. Obviously, A cannot purchase A plus B, and a proportion of the product at least equivalent to B must be distributed by a form of purchasing power not comprised in A. That form of purchasing power consists of money created by the banks to finance capital production. It is regarded as borrowed from the banks, and therefore in order that it may be repaid, it is charged into the price of consumers' goods.

The practical outcome is that the population of the world cannot purchase the goods already in existence without engaging in the further production of goods that are not and may never be required. The people's current income must meet in retail prices the accumulation of costs, both current and past, and the point to be emphasized is that money issued as a bank loan to industry has usually been recovered by the bank and destroyed before the goods have come on the market; this destroyed money is a cost carried on from a previous stage of production. It is about this time-factor or time-lag of goods behind credit-issue and credit-recall that most of the disputation over the A plus B theorem occurs. The Douglas argument, in the words of D. W. Burbridge, is that "in effect the prematurely destroyed credit or money must be recreated by the banking system and issued on behalf of consumers at the rate at which the B or overhead charges of industry are reckoned into prices of consumable goods."

The other things Major Douglas especially noted during the war were the flexibility of the financial system when for once the prime insistence was on the prompt delivery of goods, the facility with which industry, thanks to science, met the demands made upon it even with the best part of the productive population drafted into military service, and, finally, the

rising standard of living for the whole community while the fighting was going on. When "peace broke out," as some wit has said, Major Douglas was astonished to hear from all sorts of official voices that England was a poor nation. Accustomed as an engineer to look at physical things, it seemed to him that on the contrary the capital appreciation of England had been immense and she was anything but a poor nation. So Major Douglas began to write in 1918 articles for *The English Review* attacking what he considered to be the fallacy of super-production and arguing that the real wealth of England was still great.

Basing his proposals on "consumer-credit," he urged that a direct attack be made on the problem of consumption. The Labor reformers were all treating production as the prime problem and thought the economic solution lay in changing the administration of production or, as it is more common to say, in socializing the means of production. But to Major Douglas production by private enterprise was a success. Whatever the sins of capitalism might be, inability to produce a glut of goods and services was not one. Industry, however, as the A plus B theorem demonstrated could not distribute sufficient purchasing power to the community to enable it to claim industry's total output. By mathematical law money must be in short supply. There is only one way out, Major Douglas concluded, and that is to issue credit to the consumer in the form of a scientifically determined discount on retail price when a sale is effected. In short, by a reform in the distributive (money) system he proposed nothing less than the continuous selling of goods below their apparent financial cost but at their true cost—and provided a method whereby the seller could be reimbursed for the amount he was out of pocket. This was to be done by debiting the National Credit Account.

Inasmuch as Major Douglas's con-

tention is that our entire financial system is upside down in an age of technology, dominating industry instead of being its handmaid, practically all his proposals are simply for turning existing financial axioms and devices right side up—"consumer credit," for example, instead of "producer credit."

After writing his articles in *The English Review* Major Douglas began to explain his ideas in *The New Age*, a London weekly, edited by A. R. Orage. This magnetic figure in English intellectual life had been affected by the currents of social reform in England during the '90s, and for a time was a member of the Fabian Society. When, however, in 1907 he took over *The New Age* he soon made it the organ for the National Guilds movement. He and A. J. Penty had formulated independently the leading ideas of guild socialism, and for the next twelve years these ideas were pushed so hard by them and their adherents that G. D. H. Cole once referred to the period 1910-14 as the "Orage period" in British economics.

After about a year of consideration Mr. Orage announced himself, to the consternation of Guild Socialists, as unhorsed by Major Douglas and thereupon joined forces with him.

From 1919 to 1922 Major Douglas and Mr. Orage made determined efforts to get the Social Credit scheme considered and adopted. The depressed post-war situation in England was favorable to them; they early gained some brilliant adherents, among them Will Dyson, famous for his savage political cartoons; they saw behind the scenes a great many people of importance and sought to win them. Two books by Major Douglas appeared: *Economic Democracy* (1920), which was also published in America, and *Credit-Power and Democracy* (1921), which contained a draft scheme for the mining industry and a long commentary on it by Mr. Orage. But these efforts were in the main doomed to

failure. The first chapter of the Social Credit movement ended with the adverse report of the British Labor party and the departure in 1932 of Mr. Orage to Fontainebleau to study advanced psychology.

The impetus for the British Labor party's investigation of Social Credit came from certain elements in the Scottish Labor groups, which in 1920 became interested in Major Douglas's draft scheme for the mining industry. In January, 1921, the Scottish Labor Advisory Committee advised the central executive committee of the Miners' Federation to investigate this scheme. "We are convinced," the committee said, "that bank credits are one of the main constituents—if not indeed the main constituent—of selling prices; and that no final solution of the problem is possible that does not bring the issue of credit and the fixing of selling prices under the community's control." The central executive committee of the Miners' Federation referred the whole matter to the Central Labor party executive, and this body appointed a committee to look into what they termed the "Douglas-New Age Credit Scheme." The committee, consisting of Sidney Webb, R. J. Davies, M. P., Frank Hodges, F. B. Varley, G. D. H. Cole, Hugh Dalton, J. A. Hobson, C. M. Lloyd, Sir Leo Chiozza Money, R. H. Tawney and Arthur Greenwood (secretary), met on May 24, 1921, and invited Major Douglas and Mr. Orage to appear before it.

The authors of the scheme, however, objected to the personnel of the committee. They contended that only Mr. Hodges had any direct knowledge of coal mining or any experience either of the concrete problems of business management or of the operations of practical finance, and that the majority of the committee was already committed to the support of economic dogmas expressly challenged by Social Credit. They then proceeded to suggest the kind of committee before which they would be glad to

appear, but their suggestion was rejected. Without hearing Major Douglas and Mr. Orage, the committee prepared a report and issued it sixteen months later, condemning the Social Credit scheme. The report declared that the statement that the rate of flow of purchasing power into the hands of consumers is not and never can be adequate to purchase the goods available to them was fallacious.

The second chapter of the Social Credit movement in England may be dated from 1922 to 1930. Mr. Orage passed most of his time in America as an expositor of the self-development school of psychology established by G. I. Gurdjieff at Fontainebleau. Major Douglas lectured and wrote two additional books: *The Control and Distribution of Production* (1922) and *Social Credit* (1924). Arthur Brenton, who had been in a gold assaying office, assumed the editorship of *The New Age*. Under him it continued its advocacy of Social Credit, but its circulation fell away and it shrank in size. A few other Social Credit periodicals managed to exist, and a number of books and pamphlets were published, probably the best of these being *This Age of Plenty* by C. Marshall Hattersley. One other thing should be included in the record of this, the second, stage of Social Credit as a movement. In 1927 the Kibbo Kift (a Cheshire word meaning "strength") adopted Social Credit as its economic program. Previously, the Kibbo Kift had been a post-war youth movement in England devoted to camping, handicraft and world peace, but without a definite economic objective.

The third, and the most rosy, chapter of Social Credit opens in 1930 with the appearance of Major Douglas before Lord Macmillan's Committee on Finance and Industry. This was important recognition, and since then the ideas of Major Douglas have come to the fore in circles of intelligent discussion. The Social Credit press in

England has expanded. *The Front Line*, the organ of the Kibbo Kift, *Purpose*, a quarterly edited by W. T. Symons and Philip Mairet, and the *British Crusader*, published at Coventry, are examples. Furthermore, Mr. Orage has returned to London and thrown himself into the battle with a new paper, *The New English Weekly*.

The Kibbo Kift has added color. In association with the Legion of the Unemployed organized by George Hickling of Coventry, they have become known as the Green Shirts. They stand for discipline and action, taking Fascist and Communist groups as models in respect of discipline. They hold street corner meetings and appeal directly to the working class, signaling their fraternity with the workers by marching as a uniformed unit in the hunger march on London. The leader of the Kibbo Kift, John Hargrave, is a forceful, vivid personality. However, there is a disposition on the part of many Social Credit adherents to regard the Kibbo Kift as the Boy Scouts of the movement.

The recent rapid spread of the Douglas ideas in England, however, is due to the Marquis of Tavistock, who is the head of the National Credit Movement. He has succeeded in inducing a number of credit-reformers to join hands on certain issues whereon they are agreed, and the meetings he has organized have been well attended. Over 10,000 Englishmen, among them some of England's keenest brains, are convinced that Social Credit is the only way out of their present difficulties, and they have the comfort of knowing that their scheme has been studied by the British Treasury and the Bank of England for possible emergency use.

In Scotland, apart from a weak Scottish nationalist movement which has become friendly toward the Douglas proposals, the principal event has been the publication in the *Glasgow Evening Times* (March 11, 1932) of the Scheme for Scotland drafted by Major Douglas and the discussion and

the well-attended lectures that ensued. In South Africa there are Social Credit groups, and the subject gets into the press, but here again the movement is weak. In Canada, particularly in the farming region of Alberta, there is an active Social Credit party, and they have actually succeeded in electing members of Parliament.

For the pyrotechnics of Social Credit, however, we must go well around the globe to New Zealand and Australia. There are no less than sixteen Social Credit members in the New Zealand Parliament, and for their leader they have a remarkable orator, Captain Rushworth. "Given the chance to apply Social Credit to New Zealand," he declared in a recent speech, "I will guarantee to establish prosperity within three months, with a shooting-party as the penalty for failure. I stake my life on the remedy." There are three Social Credit papers in New Zealand: *Farming First*, with the motto, "More Goods for Less Money"; *God's Own Country (and the Devil's Own Mess)*, and *Plain Talk*.

In Australia there are now a thousand Douglas Credit Societies and over one hundred thousand solid supporters—a high number when we consider the population of Australia. Australia in fact made an early start when in 1921 Professor Irvine, holding the economics chair in the University of Sydney, set Major Douglas's *Economic Democracy* as the textbook for honors in economics, and when in 1922 E. Jerdan gave twenty-five lectures on Social Credit to the Sydney University tutorial classes. From these academic beginnings the movement grew slowly and then with a rush in recent years, during the battle between Premier Lang of New South Wales and the banks. Its leading weekly, *The New Economics*, has a circulation of seventeen thousand; lecture audiences number up to two thousand; radio talks occur with fre-

quency. Even the economic adviser of the Commonwealth Bank, Professor Copland, has publicly debated on Social Credit and pamphleteered against it. On the other hand, the New South Wales Government has recently promised to make an official inquiry into the subject.

Even higher hopes for the adoption of Social Credit are placed on President de Valera of the Irish Free State. It has been known for several years that he was studying the Social Credit scheme, but what he thought of it, no one knew. Now, Social Credit thinkers see in his recent policy of economic self-sufficiency signs of gravitation toward the principles of Major Douglas. "Mr. de Valera," Mr. Orage recently wrote, "is the first Prime Minister in all history who understands the principles of Social Credit and shares its economic ideals. And he is not the man, we believe, to shirk the responsibility or miss the occasion for making a momentous contribution to the world's peace and progress."

In the United States the movement is still very young. Of the six or seven American groups the most active are the New Economics Group of New York and the San Francisco group organized by Dr. T. Addis of the Stanford University Medical School. The New York group has issued a pamphlet, *Financial Freedom for Americans*, modeled on Samuel Adams's idea of a committee of correspondence, and it has prepared a plan for the State of New Jersey, which has been submitted to New Jersey officials and the Chambers of Commerce of that State.

Major Douglas's central ideas cannot be put into melodramatic language or simple slogans, such as usually inspire popular revolutionary movements. He claims to be a technician, asserts that there is a technical flaw in the price system and prescribes a technical remedy. Furthermore, he himself has played no organizing part in the whole movement here described. He is officially connected with none of its papers or so-

cieties and holds himself aloof from political propaganda. If the British Government should in desperation call on him, he would advise the following steps to be taken: (1) The setting up of the national credit account, (2) the distribution of national dividends to all, and (3) the institution of the scientific price calculus. The first step would enable the community to convert its real credit into financial credit. Major Douglas claims that now financial credit should but does not reflect real credit (defined as the correct estimate of a nation's ability to deliver goods and services as, when and where required). The second step looks toward the supersession of the wage system by dividends based on an unclaimed cultural legacy, the "state of the industrial arts," Veblen called it. The third step involves the scientific regulation of prices in accordance with the physical realities of production and consumption.

What Major Douglas contemplates is a bookkeeping revolution which will, he claims, expand the volume of money and lower prices simultaneously. No confiscation, no expropriation, no "nationalizing" of the banks, no class war, no political revolution is proposed—nothing but the transforming of finance from a veil to an accurate mirror of industrial facts. And the consequence of this bookkeeping revolution? According to his enthusiastic followers, it will inaugurate the "Age of Economic Democracy" marked by the distribution of plenty and leisure. The chief objection they encounter is that the Douglas prophecy is too good to come true.

A very interesting utopian novel could be written showing concretely the working of the Douglas scheme. It would describe the United States of America, Inc., in which each citizen was a shareholder, receiving a na-

tional industrial dividend, computed according to the real wealth of the nation. Armed with this free purchasing power, he would visit the shops for his cigarettes, magazines, shoes, food; he would meet his obligations to landlord and telephone company; he would seek out places of recreation—and everywhere he would encounter reduced prices for consumers' goods, the prices, let us say, being one-half of what they had been and the reduction being calculated by discovering the ratio of total consumption in the previous accounting period and total production. Thus, not only would the shareholder-citizen have more money but at the same time, because of lowered prices, it would go much farther.

The retailer would perhaps at first find the lowered price perplexing and disturbing. But his goods would be moving at a much-quicken rate out of his shop, and behold! when he deposited the sales receipts at his bank, the bank marked up his deposits to twice what he put in and charged the national credit account. He would be making more profit because he would be selling more goods at a faster rate. The wholesaler would be flooded with orders; word would be passed back to the manufacturers; the wheels would turn. If our novelist had a robust sense of life and a genuine delight in merriment, he might make much of this picture of a society governed by the new principle of adequate purchasing power for all and the devil take the reckless, setting it in contrast with the drab novels picturing society debased by the working principle of insufficient purchasing power for the community and the devil take the hindmost. He might be applauded for his gift of fantasy—but the persons in the movement described in this article stoutly maintain that his fantasy can become actuality.

Architecture in the Modern Age

By ELMER R. COBURN

[The following article presents the conclusion reached by the author after many years of study and experience as a practising architect.]

AMERICAN architecture today reflects the conflicting beliefs of two schools. One adheres to the forms and styles which through the years have been accepted as good; the other, frankly experimenting, has sought to produce new forms, new styles, which will seem more akin to the life of an industrial society. The members of these two groups are labeled, for want of better terms, conservative and modernist, but between their extremes are all manner of architects who belong neither to one nor the other, men who are not quite ready to cast aside tradition, but who hope that a new school will arise which will be more esthetically satisfying than the present modernistic. At the moment, even among the exponents of modernism, there is no common agreement.

Behind the conflict in architecture are the desire to create something new—a rebellion against what seems to be the mere copying of old forms—and the economic necessity of designing a building which will give the maximum return on the capital invested. The growing importance of this second factor many architects have failed to appreciate.

The development of a distinctive architectural form in America has been handicapped by blind worship of the noted figures of the late nineteenth and early twentieth centuries. Richard Morris Hunt, Stanford White and John M. Carrère inspired those who were to follow them with the spirit of art for art's sake. To them architecture meant only the creation of beauty, which, in this instance, took

the form of copying or adapting classic or other historical motifs. These men and some of their contemporaries were signally gifted with the ability to reproduce the finest creations of past ages, but though they did great work, they belonged to a period wholly different from the present. In those days the profession of architecture was young in the United States; a great tradition had not grown up; men followed the masters; they were further influenced by the Society of Beaux Arts Architects, composed of former students at the Ecole des Beaux Arts in Paris, and by the establishment of the atelier system.

The reproduction of historical forms was the order of the day; originality was confined to the scheme, but details were usually copied in their entirety. *Vignola*, a manual containing detailed measurements of the classic Greek and Roman orders, and a few other works on historical architecture such as D'Espouy were the stock in trade of every atelier. For every problem in design, whether the entrance to a town house or a peace palace, students sought ideas in these volumes of beautiful drawings of French and Italian Renaissance architecture. The prevailing idea was the adaptation of something that had been done to the problem in hand. Apparently no one contemplated the possibility of devising something new.

But architecture then as always bespoke the age. It was a period when fortunes were being amassed through mining, railroad building and industrial expansion. The new plutocracy, a bit raw and unsophisticated with its wealth, ordered the building of town houses which would reflect their power and prestige. New York City

saw the mansions of the Vanderbilts, Goelets and many others rise on the avenues, show places which for many years flaunted their pretentiousness to a marveling world. Yet these houses gave architects a new prominence. Here, for men trained in France and Italy, was a wonderful opportunity to recreate historical masterpieces, since no expense would be spared in making the reproductions authentic. These master copyists had such a profound intimacy with their sources of inspiration and were able to express themselves through such exquisite draftsmanship that it instilled in many younger men an enthusiasm that for many years clung to them and shaped their way of thinking. So blind was this faith that it prevented many an architect from perceiving changes in the social structure.

Nevertheless, the time came when the wealthy began to forsake their mansions and to move into apartment houses. Since these apartments were generally speculative ventures, the plans were usually drawn by men whose outlook was altogether different from that of the architects who had made their reputation in designing town houses and who practiced architecture as a fine art, looking disdainfully upon mere money-making. If a man who had successfully disguised an American residence as a French château or an Italian palace was commissioned to design a commercial building, trouble arose almost invariably. He did not want to be bothered about economics; the ratio of rentable space to the cost of the building meant nothing to him. He considered the project from only the esthetic standpoint, and the result was a composition of columns, entablatures, carvings, and so on, that cost perhaps double the amount possible for a profitable investment. That fact, added to the air of hauteur with which the owner of a commercial undertaking was received by these architects whenever the matter of cost was mentioned, was largely responsi-

ble for an early shift of this work to men less prominent and possibly not as well trained.

Economics thus determined to a large extent the development of a new type of architect, a man who made himself adept in economical planning but often was little concerned with esthetics. The interest of his clients, too, was centred not on beauty but on obtaining a building that covered the maximum amount of land allowed by law, and contained the maximum area of rentable space. Like their more famous colleagues in the profession, these architects missed the possibilities of developing a new or more logical method of construction. Such architectural effect as they obtained was the result either of adapting historical motifs in cheap materials—terra cotta, sheet metal and so forth—or in eliminating all ornamental features. The latter tendency often went to extremes; instead of highly decorative stone and marble façades, architects designed the box type of building of plain brick walls, punctured with windows, which are to be found today in so many larger American cities.

While the passing of time has seen many of the finest specimens of historical reproductions demolished to make way for commercial buildings, buildings designed by the more eminent of the conservatives still exist. In New York City the Morgan Library and the Library of Columbia University, both designed by McKim, Meade & White, are outstanding examples. Several American colleges and universities have buildings that reflect the older period and probably college and university buildings for years to come will follow historic forms. Here and there, however, are indications that more serious consideration is being given to the economics of college buildings. Abraham Flexner has been quoted as saying that expensive and overelaborate buildings were erected at the expense of the faculty, though much of this is less the fault

of the trustees than of wealthy alumni who designate in their gifts that a specific amount of money is to be spent on a building designed by an architect of their selection. The cost of executing the classic, Gothic or Renaissance reproductions so familiar on college campuses is tremendous—and the proportion of the total expended on sounder construction is infinitesimal. Perhaps the college is the final stronghold of conservative architecture.

The almost solid ranks of the conservatives held together for many years. Now and then a heretic appeared only to disappear. Some thirty years ago Louis Sullivan, Chicago architect, startled the country by defying all traditions, but his individualistic style died with him. In later years his belief in erecting buildings whose style was unaffected by the past did gain adherents. Another architect, Henry Hornbostel of Pittsburgh, caused a stir among his fellows by casting aside precedent in his design for the entablature and attic of the State Educational Building at Albany, N. Y. Despite the fact that fundamentally he retained the old Roman design, the varied proportions of his building were not readily accepted in some quarters. But these men were exceptions; the real changes have come since the World War.

Younger architects who became tired of mere copying were influenced by the experimental work of their European contemporaries. Designs by men like Saarinen, for instance, made a marked impression in America. Probably, also, a large number of the proponents of modernism were alienated prematurely from the conservatives because of the sins committed in the name of art. Among the conservatives were many who placed art first and sacrificed plan and utility for the sake of obtaining an exterior effect that was pleasing to the eye. Meanwhile, the public taste had shifted from the highly ornamented peri-

ods of French and Italian Renaissance to more refined styles and thus there were many, not only among the architects, who sensed the need of a more logical architecture than that produced by adapting old forms to new conditions, decorating the exterior with elements which represented structural members—stone columns, for instance—but which served no useful purpose.

One faction among the modernists contend that function is the governing force, that all elements of architecture revolve about the proper solution of the plan. After the plan is solved and the structural mass of the building determined, the various elements, such as steel columns and beams, composing the structure, are clothed in the simplest manner possible. That, the modernists say, is the only logical architecture. Structures built according to this theory have reflected varying results, ranging from exterior walls of plain brick-work to walls of glass, though the use of certain materials has made the modernists contradict themselves. Nevertheless, in office buildings, apartment houses, hotels and many other commercial structures the new architecture has found excellent opportunities for experimentation.

In those buildings where cost has been ignored and the designer has attempted to discard every element that has a historical background, modernism has usually proved unsatisfactory. Most of these compositions have been severe and hard, or garnished with geometric patterns. The new Irving Trust Building in New York City, though modernistic, can scarcely be classified as a building whose steel frame was clothed in the simplest manner possible. Expensive limestone was run up the full height of the building, the whole façade on the street fronts being formed in shallow V flutings, supposedly, as the designer claimed, to overcome an optical illusion. Even the windows were formed to coincide with the V flutings. The

cost of the limestone and the special type of windows was very great and yet the only part of this building that excites any real interest is one of the banking chambers which was executed in colored mosaic—a variegated color treatment interrupted by zig-zag lines that have no real meaning and add no effectiveness to the color treatment. Raymond Hood sought to make us like the extremely severe lines of the Daily News Building in New York by explaining that the cold, hard line piers represented newsprint unrolled—a rather far-fetched attempt to claim that the exterior of this building is symbolic of its function and hence the logical architecture. It is doubtful if any one, even when supplied with this information, would express much enthusiasm over its symbolism. Probably it is too early to comment on the Rockefeller City group, but such of the buildings as are nearing completion do not offer much hope.

To another category belong a number of buildings which have been ascribed to modernism but whose prime elements have historical precedents which have been modified to make them appear new. The State Office Building in New York City and the Connecticut State Office Building in Hartford would fall into this group. Such buildings, of course, represent a distinct change, for the conservatives usually adhered to precedent in the minutest detail.

In any architectural order there are certain fundamentals. Just as in music, a good chord or note registers pleasantly on one's senses through the ear, so in architecture a good line or a good combination of light and shade registers pleasantly on the senses through the eye. The masterpieces of architecture which have withstood the test of time have the beauty of mass, line and color which the human eye apparently craves. In many cases all three make a pleasing combination, but, in any event, one of them has to be present before the eye registers satisfaction. That is why it is not

enough for the modernists to maintain that a building is symbolic and say that we must learn to appreciate it. The eye has to be satisfied either consciously or subconsciously.

Thus it may be assumed that architecture which is based only on the desire to create a new style will not gain much support or be classed as art after running the gauntlet of time. While the present lack of new building has seemingly retarded further development of modernism, it is probably true that the trend away from the old styles will continue until ultimately a new architectural order arrives. The lull in building has afforded an opportunity for sober thinking; now the vision before us is more distinct.

But whatever the future has in store for architecture, we can be sure that economics will be a dominating factor. Ways and means will have to be found to construct office buildings, hotels, apartments and so forth within a cost that can produce a fair return. No longer can construction costs be ignored on the theory that somewhere, somehow, tenants will be found who will pay any rental demanded. The answer will probably be found in more economical methods of construction. This may mean pre-fabrication in the factory of many parts of a building instead of, as at present, construction on the site. It will mean that we cannot afford to hang bricklayers on a scaffold thirty or forty stories in the air, laying little pieces of clay at \$15 a day. This alone was no small factor in increasing the cost of a building, when it is remembered that twenty years ago a bricklayer received five or six dollars a day and laid about 2,000 bricks. During the "new era" 1,200 to 1,500 bricks were considered a good day's work.

Pre-fabrication will necessarily entail the use of materials different from those now in use. To understand this we must realize that most progress in building construction has concerned interiors. In the shell of a

building certain items like the steel frame, door frames and doors, to mention a few, have been the objects of thorough research, and the cost accounting and efficiency departments of the manufacturers of these items have been able to accomplish very tangible results by keeping the processes of manufacture under close observation. While there are many instances where the invention of machinery has made it possible for a man to accomplish much greater tasks than formerly, there still remains a very large part of building operations which must be changed from hand to machine labor.

Another sign indicating the direction in which architecture is headed is the small home. Here again economics is the main factor. The average small-salaried man, when seeking a home, has been obliged to patronize the small-house developments sponsored by speculative builders. These houses are generally erected in mass and, whether individual or uniform in design, are of frame construction, put together under hurried conditions—a combination of poorly seasoned materials and high-priced craftsmanship which upon completion does not represent a true value. In the Eastern United States the cheapest five-room house before 1929 sold for \$5,000 to \$6,000. At such prices the houses have little if any individuality and the construction is such as barely to keep them together for the lifetime of the mortgage.

For a large part of the population these prices are too high, though a possible solution is in the offing. Recently, companies have been organized to place on the market metal houses to cost about \$3,500. If plans are carried out, the major portion, if not the whole, of every house will be manufactured in the shop and shipped in sections to the building site where only a small amount of work will be necessary to complete the job. Pre-fabrication of entire metal houses will probably be confined to the small dwell-

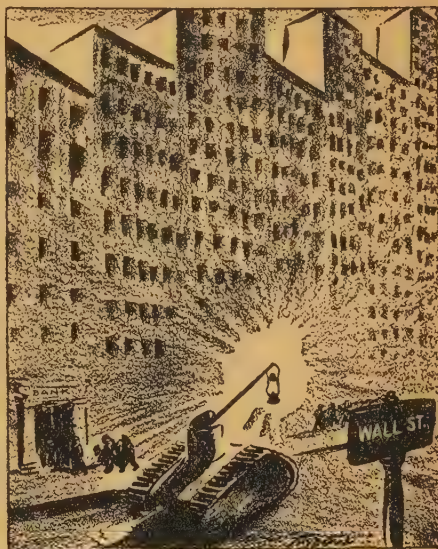
ings; those of a more expensive kind will undoubtedly continue to be individual products, but as time goes on even these houses will undoubtedly benefit by labor-saving processes without losing individuality of design.

How will this new trend affect architecture? Forces arising out of the depression have precluded the possibility of turning back. Well-executed reproductions of historical buildings are behind us, except in the case of non-revenue buildings. Likewise, modernism devoted only to the creation of new styles has passed during these times of trouble. The need for economy will force the designing of exteriors, especially of commercial buildings, to meet the exigencies of mechanical production. Most likely, the material will be metal—aluminum or some alloy. In some cases recently erected buildings have forsaken brick or stone spandrels (the panels extending from the top of one window to the bottom of the window above) and have substituted metal—usually an aluminum alloy. It is only a short step further to making the piers between windows of metal in sections of a full story. But an entire façade in the natural metal is too cold and hard in line. Weather-resisting enamel for metal surfaces offers a possible solution to this problem, not alone in solid colors, but in variations and blendings. An exterior of this sort should, in taller buildings, be most effective. Yet metal will not be the only material used for these pre-fabricated buildings; other materials, some as yet unknown, will be found adaptable to manufacture, while it may well be that color will become the element which will make our machine-made buildings beautiful and interesting. In any case, out of that new architecture, conceived in the desire for economy, will emerge characteristic elements that will influence buildings whose purpose is not commercial; once the problems of economics and function are solved, the development of a new beauty ought to follow naturally.

Current History in Cartoons



That grand and glorious feelin'
—Pittsburgh Post-Gazette



Diogenes looking for an honest man
—St. Louis Post-Dispatch



The new farm hand—will HE work?
—Baltimore Sun



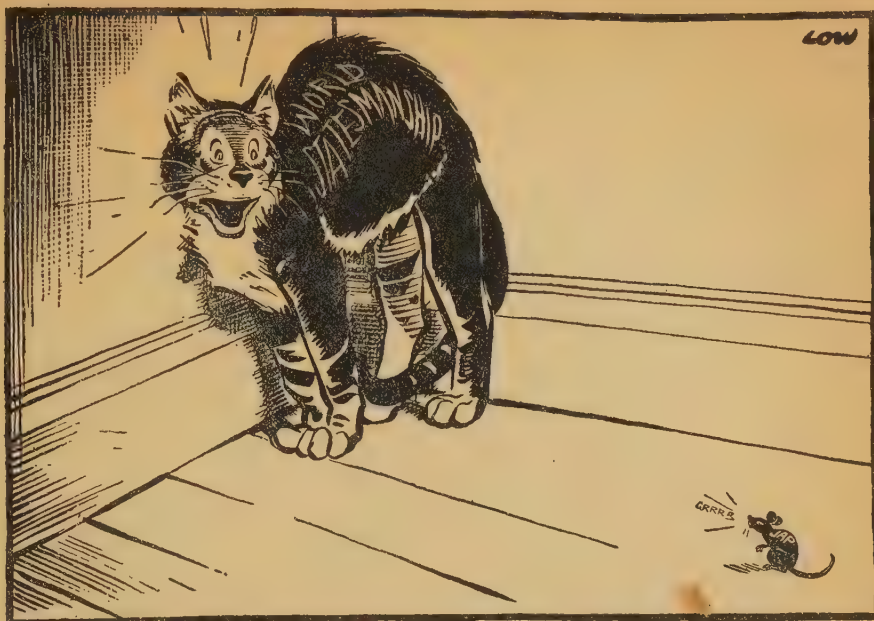
Saturday night is here already
—Philadelphia Inquirer



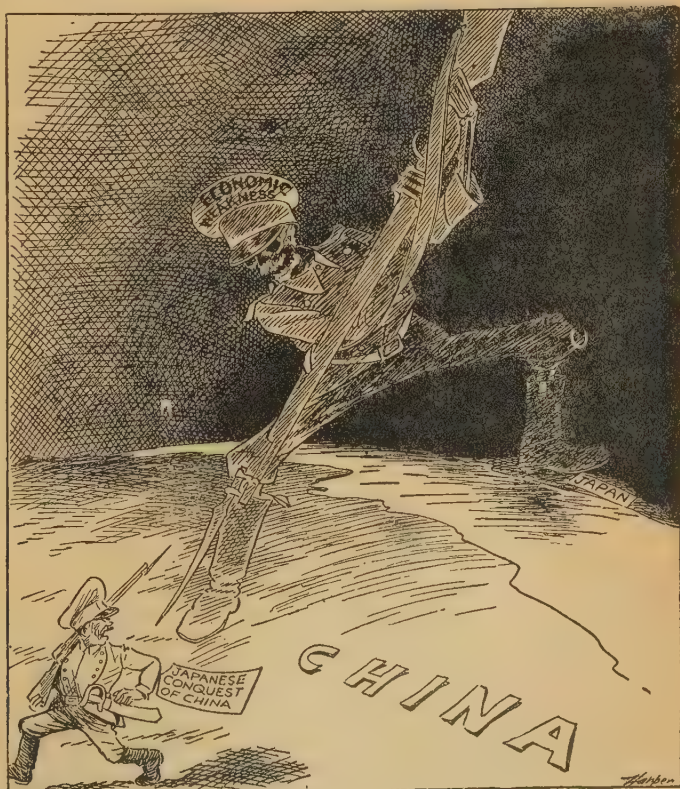
Et tu, Roosevelt?
—*Morning Post*,
London



The hope of us all!
—*Cleveland Plain-Dealer*



The cat and
the mouse
(new version)
—*Evening
Standard,*
London



A threat from
the rear
—*Birmingham
Age-Herald*



The Lunatic Who Fired the Reichstag—"You mad, too! What fun! Now we're all mad!"

—Daily Herald, London



What about the fellows behind you?

—Glasgow Bulletin



Pointed steel is said to attract lightning
—Detroit News

A Month's World History

Disarmament and Treaty Revision

By JAMES THAYER GEROULD
Princeton University; Current History Associate

UNRESTRAINED nationalistic greed, grasping for a maximum of national advantage, has brought the world close to disaster. Blind unwillingness to face the fact of the interdependence of nations, a futile attempt to develop systems of national economy regardless of the interests of their neighbors, the struggle for power, prestige and "security" have produced a fear which approximates hysteria. Unless within a very few months this fear can be dispelled, it is idle to deny the likelihood of catastrophe. The question of disarmament is but a single phase of the struggle of the nations. Guns and tanks, bombing planes and cruisers are but counters in the contest for power.

The events of late Winter have aligned the nations of Europe in two camps. On one side are France, Poland and the Little Entente, clinging to the toppling structure of the peace treaties, believing—and there can be no doubt of their sincerity—that a peaceful Europe is possible only under their aegis. Opposed to them is Germany, smarting under the injustice of the terms of the Versailles treaty, exasperated by thirteen years of delay in securing relief, and inflamed by the violence of her nationalistic revival. With Germany stand Austria, Hungary and Italy. Italy, however, is moved more by fear and jealousy of France than by any affection for Germany. The Triple Alliance has, in effect, been reconsti-

tuted. Between these two groups is Great Britain, playing the part of "honest broker," and endeavoring, so far as her own inchoate political situation will permit, to mediate between them and at the same time prevent a solidification of the present alliances that would make another European war almost inevitable.

By the end of February the disarmament conference had reached a deadlock. The German elections of March 5, which established Hitler in power, seemed to the French not only a challenge to her European hegemony, but, quite definitely, to her security. The Hirtenberg affair (see April CURRENT HISTORY, page 112), the rapprochement between Italy, Austria, Hungary and Germany, and Mussolini's advocacy of treaty revision, occasioned great nervousness in the States of the Little Entente, and precipitated an alliance between them which is believed to be military as well as economic. Hitler's victory alarmed Poland, for it threatened both the Corridor and Upper Silesia. Polish troops landed in Danzig and partly armed German auxiliaries entered the demilitarized area across the Rhine from Strasbourg. At Geneva the proposed Continental Pact was rejected by the votes of Germany, Italy, Austria, Hungary and Holland. Throughout all Europe there was a feeling that the disarmament conference was about to collapse.

At this point the British Govern-

ment acted decisively and quickly. Prime Minister MacDonald and Sir John Simon were in Paris on March 9 in conference with the French Foreign Office, and two days later they were in Geneva. After a few days of private discussion, Mr. MacDonald, in an impassioned speech before the conference on March 16, laid before it a program of disarmament that, whatever it may have lacked in completeness, was clear and definite. It was prefaced by a restatement of the Pact of Paris—without, however, substituting the word "force" for "war"—and a provision, in the event of its breach, for calling a conference at the request of any five powers, including one of the great powers, to determine steps to be taken. All the great powers and a majority of those of lesser rank present at a conference must concur in any such action.

Passing on to positive measures of disarmament, the British plan provided that all European armies should be recruited on a uniform basis of conscription, with an average term of service of eight months. Germany, France, Italy and Poland would be allowed armies of 200,000 men; Rumania, 150,000; Spain, 120,000; Czechoslovakia and Yugoslavia, 100,000; and the other countries from 25,000 to 60,000. The allotment for the Soviet Army, 500,000, is much the largest. Supplemental allowances for colonial troops for powers having overseas possessions range from 15,000, in the case of Belgium, to 200,000 for France. This proposal would increase the present armies of Germany, Austria, Hungary and Bulgaria by a total of about 177,000 effectives, but it would reduce the entire number of men under arms in Continental Europe by approximately 450,000.

The calibre of mobile land guns would be limited to 105 centimeters (about 4 inches), though guns of 155 centimeters, now in use, might be retained but not replaced. Coast defense guns in calibre up to 16 inches

would be permitted. Pending their complete abolition, through action by the Permanent Disarmament Commission, the number of military and naval aircraft would be reduced within five years. France, Great Britain, Italy, Japan, Russia and the United States would each have 500, with smaller numbers for the lesser countries. The size of aircraft would be limited to three tons of unladen weight. No new dirigibles could be built or acquired. Bombing would be prohibited "except for police purposes in certain regions."

Until 1935, when there is to be another naval conference, France and Italy would be brought within the terms of the London agreement. No reference was made to budgetary limitation or the control of the private manufacture of arms. Provision was made for the establishment of a permanent disarmament commission to supervise the enforcement of stipulations that might be agreed upon, and specifically to prepare for a second disarmament conference, to be held before the end of the five-year period, which would be the term of the present convention. Finally, it was definitely stated that the proposed plan was to supersede those provisions of the peace treaties by which the Central Powers were disarmed. There seemed to be some doubt as to the degree in which they might rearm. Since Germany was not mentioned in the table giving the allowances of aircraft, it was presumed that this particular restriction was to be maintained. It was an equally fair assumption that, in the absence of specific prohibition, tanks and large guns might be acquired. In general, the plan seemed to give to Germany that substantial equality which she had long demanded.

After presenting his plan, Mr. MacDonald went on to Italy to discuss the European situation with Mussolini. After conversations on March 18 and 19, the outlines of another plan, sponsored by the Italian Premier and approved by his British colleague, was

given to the press. Within the European area it provides for a more effective organization of arbitration, for judicial settlement of international disputes and for sanctions against an aggressor. Most important of all is the development of machinery for the revision of treaties, in extension of Article XIX of the covenant. Though the original announcement made the proposal seem to be one for joint action by the four great powers, France, Germany, Italy and Great Britain, Mr. MacDonald, in an interview on March 20, made it clear that the other nations would be called into conference.

On March 30 the text of the proposed pact was unofficially revealed to be as follows:

Art. 1. The four Western European powers—Germany, France, Great Britain and Italy—undertake to realize among themselves an effective policy of cooperation with a view to the maintenance of peace in accordance with the spirit of the Briand-Kellogg pact and the “no force” pact; and undertake to act in the domain of European relations so that this peace policy shall be adopted in case of necessity by other States.

Art. 2. The four powers confirm the principle of revision of the peace treaties in accordance with the League of Nations covenant in case a situation susceptible of leading to a conflict among States should arise. They declare at the same time that this principle of revision can be applied only within the framework of the League of Nations in a spirit of mutual comprehension, solidarity and reciprocal interest.

Art. 3. France, Great Britain and Italy declare that, in case the disarmament conference shall reach only partial results, the equality of rights recognized in behalf of Germany should have effective value, and Germany undertakes to realize this equality of rights by stages which will be fixed by successive understandings to be concluded among the four powers through the ordinary diplomatic channels.

The four powers undertake to reach similar understandings relating to Austria, Hungary and Bulgaria.

Art. 4. In all questions, political and non-political, European or extra-European, as well as in the colonial domain, the four powers undertake to adopt, as far as possible, a common line of conduct.

Art. 5. This political agreement of understanding and cooperation, which will

be submitted, if necessary, to approval by the Parliaments within three months, will endure ten years, and it is understood it will be renewed for the same period if it has not been denounced by one of the contracting parties one year before its expiration.

Art. 6. The present pact will be registered at the Secretariat of the League of Nations.

The possibility of securing substantial results from Premier Mussolini's plan depends very largely on the attitude of France. Since treaty revision appears to be one of its major purposes, acquiescence in it would involve a complete reversal of French policy. The present French Government seems convinced that this is necessary, but the press still identifies peace with the peace treaties. French newspapers are very bitter against Mr. MacDonald for his frank avowal in the House of Commons of the necessity for revision.

Poland and the Little Entente, the largest beneficiaries under the treaties, are seriously alarmed by the plan. The Polish Corridor, Upper Silesia, the areas in Rumania and Yugoslavia claimed by Hungary, might conceivably be brought into question. The Little Entente, which, for the moment at least, is very nearly an operating unit, and Poland resent what they feel to be a proposal for the alienation of their property by international action. With a combined population of over 75,000,000 they demand a right to be considered as a fifth great power. The policy of Germany toward the Mussolini scheme has not yet been fully developed, but since it involves reinstatement on equal terms among the great powers, and since it proposes to discover a method of treaty revision, it may be assumed that Germany will find little difficulty in accepting it.

Interest in the four-power proposal overshadowed, temporarily at least, the British disarmament program. It was not, however, lost from sight. The implications of both projects were so important that the delegates of the

larger powers desired a month's recess to discuss them with their governments. Although the smaller powers did not favor adjournment, the conference recessed until April 25.

WAR DEBT NEGOTIATIONS

A month ago it seemed certain that the negotiations for a settlement of the war debts would begin soon after the inauguration of President Roosevelt, but at that time the extent of the American banking crisis had not been generally foreseen. Pressing as is the necessity for action, since the next payments under the present agreements are due on June 15, it has been both impossible and inexpedient to initiate the conversations until necessary domestic legislation was enacted. In France the opinion seemed to be growing that it would be wise shortly to make the payment that was "deferred" on Dec. 14.

War debt negotiations with the British were formally opened in a

conversation between Secretary Hull and Sir Ronald Lindsay, the British Ambassador, on March 24. It seems to have been determined that it will be impossible entirely to isolate discussion of the debts from that relating to other economic questions such as tariffs, trade and foreign exchange barriers and the gold standard. The administration has been hampered by a lack of any proper authority in any of these negotiations. No useful purpose is to be served by making agreements that will not be accepted by the Senate. President Roosevelt, consequently, has endeavored to secure preliminary agreements, in the guise of "advice," which would determine the limits within which he might negotiate with assurance. This method, while clumsy and unsatisfactory, is to be preferred to a recrudescence of the humiliating contests between the Executive and the Legislature which have so frequently made American diplomacy ridiculous.

Text of the Little Entente Pact

THE following is the full text of the pact, signed at Geneva on Feb. 16, 1933, under which Rumania, Czechoslovakia and Yugoslavia, the three States forming the Little Entente, have agreed to enter into a closer union:

His Majesty the King of Yugoslavia,
His Majesty the King of Rumania,
His Excellency the President of the
Czechoslovak Republic,

Being anxious to maintain and consolidate the peace;

Being determined to strengthen economic relations without distinction with all States and with the Central European States in particular;

Being concerned for the safeguarding of peace in all circumstances, and to assure the evolution toward a real stabilization of conditions in Central Europe and to insure that the common

interests of their three countries are respected;

Determined for this purpose to give to the relations of friendship and alliance existing between the States of the Little Entente an organic and stable basis;

Convinced of the necessity of realizing this stability on the one hand by the complete unification of their general policy and on the other by the creation of a directing organ of this policy common to the group of the three States of the Little Entente, and thus forming a higher international unity that shall be open to other States under conditions to be agreed upon in each particular case;

Have resolved to establish what follows in the subjoined provisions:

Art. 1. A Permanent Council of the States of the Little Entente, composed of the Ministers of Foreign Affairs of the three respective countries and of special delegates appointed for the pur-

pose, shall be constituted as the directing organ of the common policy of the group of the three States. The decisions of the Permanent Council shall be unanimous.

Art. 2. The Permanent Council, apart from its normal intercourse through diplomatic channels, shall assemble at least three times a year. One of the obligatory annual meetings shall take place in each of the three States in turn, and another shall be held at Geneva at the same time as the Assembly of the League of Nations.

Art. 3. The President of the Permanent Council shall be the Minister of Foreign Affairs of the State in which the obligatory annual meeting is held. He shall take the initiative in fixing the date and the place of meeting, in arranging its agenda and in drawing up the questions to be decided. He shall continue to be President of the Permanent Council until the first obligatory meeting of the following year.

Art. 4. In all questions which shall be discussed as well as in all decisions which shall be reached, whether in regard to the relations of the States of the Little Entente among themselves or in regard to the relations of the Little Entente with other States, the principle of the absolute equality of the three States of the Little Entente shall be rigorously respected.

Art. 5. The Permanent Council shall determine whether, in a question upon which it has reached a decision, the presentation of the defense of the point of view of the States of the Little Entente shall be confided to a single delegate or to the delegation of a single State.

Art. 6. Every political treaty of each State of the Little Entente and every unilateral act changing the present political situation of one of the States of the Little Entente in relation to an outside State, as well as every economic agreement involving important political consequences, shall henceforth require the unanimous consent of the Council of the Little Entente. The present political treaties of each State of the Little Entente with outside States shall be progressively and as far as possible unified.

Art. 7. An Economic Council of the States of the Little Entente shall be constituted for the progressive coordination of the economic interests of the three

States, whether among themselves or in their relations with other States.

Art. 8. The Permanent Council shall be empowered to establish other stable temporary organs, commissions or committees for the purpose of studying and preparing the solution of special questions or groups of questions for the Permanent Council.

Art. 9. A Secretariat of the Permanent Council shall be created. Its headquarters shall be established in turn for one year in the capital of the President for the time being of the Permanent Council. A section of the Secretariat shall function permanently at the headquarters of the League of Nations at Geneva.

Art. 10. The common policy of the Permanent Council shall be inspired by the general principles contained in all the great international agreements relating to post-war policy, such as the Covenant of the League of Nations, the Pact of Paris, the General Act of Arbitration, the Locarno Pacts and the conventions that will eventually be made in regard to disarmament. Furthermore, nothing in the present Pact shall be construed as contrary to the principles or provisions of the Covenant of the League of Nations.

Art. 11. The Conventions of Alliance between Rumania and Czechoslovakia of April 23, 1921, between Rumania and Yugoslavia of June 7, 1921, and between Czechoslovakia and Yugoslavia of Aug. 31, 1922, whose terms were extended on May 21, 1929, and which are completed by the provisions of the present Pact, as well as the Act of Conciliation, Arbitration and Judicial Settlement signed by the three States of the Little Entente at Belgrade on May 21, 1929, are hereby renewed for an indefinite period.

Art. 12. The present Pact shall be ratified and the exchange of ratifications shall take place at Prague not later than at the next obligatory meeting. It shall come into effect on the day of the exchange of ratifications.

In witness whereof the plenipotentiaries named below have signed the present Pact.

Done at Geneva, in triplicate, the 16th day of February, 1933.

JEVTITCH,
TITULESCO,
BENES.

America Meets the Emergency

By E. FRANCIS BROWN

WHATEVER verdict future historians may pass upon the first month of the Roosevelt administration, the people of the United States found that period one of the most exciting and most satisfactory within recollection. On March 4, when the new President took the oath of office, the nation's banking system had collapsed in the midst of a great financial panic; three years and a half of deepening economic depression which had spared few Americans had left the country discouraged and disheartened. That inauguration day the last lame-duck Congress had expired, unwept and unhonored, while in not a few minds doubt as to the efficacy of representative government was fast becoming conviction. Men looked hopefully to the new Executive, although uncertain whether he was endowed with the requisite natural powers to meet the crisis which confronted him; his advisers aroused little enthusiasm; and the Congress which his party controlled was suspect. On all sides the prevailing sentiment expressed the belief that some good, though perhaps not much, might arise from a change.

A month later the change was fact; more important, the nation believed that the man of destiny had been found. As Congress and President acted to push through an emergency program which would ordinarily have demanded months if not years of debate, a wave of hope and exhilaration swept the United States. What if banks were closed, business worse than ever, unemployment unsolved, foreign relations acute? A strong, popular, self-confident leader was in the White House and the future ought to be secure. However unjustified this

mood may have been, it existed, an astounding thing which swept conservatives and liberals of all parties and of all sections into a great chorus singing the praises of Franklin Delano Roosevelt.

Strangely enough, despite the huge vote given him in the election last year, Mr. Roosevelt failed to catch the imagination of the country until the crisp sentences of his inaugural address were broadcast on March 4. That day, in a dramatic and sensational fashion, he took command of the nation, preserving a coolness and calmness which reassured a distraught people. At the White House a new note of informality immediately became apparent, yet without any sacrifice of dignity. At the President's first press conference, for instance, he talked frankly and freely with the newspaper correspondents, abandoning the half-secretive, stereotyped meetings which had prevailed since the World War—a move which would seem to insure a "good press" for the administration. In the departments as well a new spirit quickly was manifest, a spirit of simplicity, of informality, yet of industry and virile common sense. The new deal was no longer a mere figure of speech.

REOPENING THE BANKS

While official Washington adjusted itself to the refreshing atmosphere exuded by the new administration, events moved swiftly. On March 5 the President issued a proclamation closing the nation's banks for four days and laying an embargo on the export of gold. The same day he called a special session of Congress for March 9 to deal with the banking crisis. (For the background of the banking col-

lapse, see Dr. Ostrolenk's article on pages 152-158 of this issue.) As most members of Congress had come to Washington for the inauguration, it was possible to organize both houses and to be ready for immediate action. The election of Senator Key Pittman of Nevada as president pro tempore of the Senate and of Congressman Henry T. Rainey of Illinois as Speaker of the House of Representatives was therefore only a formality when Congress convened.

Half an hour after Congress met at noon on March 9, President Roosevelt's message calling for speedy action to relieve the banking situation reached the Capitol. Immediately after its reading a bill, embodying the proposals set forth in the message, was introduced, and before 8 o'clock that evening it had passed through Congress and was on its way to the White House for the President's signature. The rapidity of Congressional action was no less unprecedented than the amazing law which had been enacted without study or debate.

Its provisions validated President Roosevelt's previous banking proclamations and orders; he was invested with the power to regulate transactions in credit, currency, gold and silver and foreign exchange, and was authorized also to fix restrictions on the banking business of Federal Reserve members. Penalties were fixed for hoarding gold or gold certificates, but to meet the need for a greater amount of currency it was provided that Federal Reserve Bank notes might be issued against the security of governmental obligations or notes, drafts, bills of exchange and bankers' acceptances. National banks whose assets were endangered might be placed under the direction of a conservator appointed by the Controller of the Currency; the activities of such banks would be restricted. The law provided for the reorganization or organization of banks with or without the aid of the Reconstruction Finance Corporation.

For once the speed of Congress surpassed that of the Executive. Since the regulations for the reopening of the banks had not been completed, the President on the night of March 9 issued another proclamation extending the bank holiday indefinitely. Acting under orders from the Secretary of the Treasury, banks in many localities had meanwhile been releasing funds for payrolls and to provide for the necessities of life. Not until March 13 did any banks function normally; on that date banks which had obtained licenses from the Secretary of the Treasury opened in the twelve Federal Reserve cities; on the following day banks in cities which had clearing-house associations reopened; finally, on March 15, banks in all other places resumed business. But in no case did any bank or other financial institution reopen without a license from the Secretary of the Treasury or authorization from a State banking department.

To many people the reopening of the banks meant only an end to the excitement of the preceding week and the experience of being without sufficient funds. At Washington and in banking circles the reopening concluded strenuous hours of work and sleepless nights. On the other hand, the end of the holiday disclosed the stupendous proportions of the banking collapse. Of the more than 19,000 banks which operated in the United States before March 4, more than 3,000 had not reopened on March 25 and many others were open under restrictions. Cities like Detroit and Cleveland remained without proper banking facilities, while the State of Maine found that its record for reopening was worse than that of any State in the Union. For the public at large the banking crisis had passed, although reform of the system with a view to avoiding a recurrence of the weaknesses now so apparent was still greatly to be desired.

The emergency banking act was amended on March 23 by an act

passed by Congress which extended to State banks not members of the Federal Reserve System the privilege of borrowing directly from the Federal Reserve Banks by depositing satisfactory collateral. The approval of State banking departments, however, would be necessary as well as a thorough examination of the condition of the borrowing institution. The bill also permitted R. F. C. loans on easier terms to State banks.

The results of the emergency banking act, as far as the Federal Reserve System was concerned, became apparent with the publication of the Federal Reserve report for the week ended March 22. During that week gold holdings rose \$181,545,000; money in circulation dropped \$661,000,000; member banks reduced their borrowings from the Reserve Banks by \$561,447,000; and the ratio of the system's reserves to deposits and liabilities rose from 49.1 per cent to 55.5 per cent.

THE ECONOMY ACT

On March 10, while Congress and the nation were still marveling at the rapid passage of the banking law, the President requested Congress to invest him with the power to reduce the pay of all government officers and employes and to reduce pensions and allowances to veterans and dependents of all wars. His message was brief but vigorous, declaring that "for three long years the Federal Government has been on the road toward bankruptcy" and that the growing governmental deficits were contributing to the social and economic distress of the country. Now he sought authorization to effect economies which would aid in restoring the Federal credit.

Though the economy bill was brought to the floor of the House without the backing of the Democratic caucus, it was passed on March 11 by a vote of 266 to 138. Opposition in the Senate proved greater, but not enough to prevent passage of the bill on March 15 without important changes. All existing laws relating to benefits

for World War and Spanish-American War veterans were thus repealed. While veterans actually disabled in the World War, and Spanish-American War veterans disabled by old age, were to be retained on the pension rolls, the President was granted power to make regulations for granting other pensions, fixing the degree of disability and prescribing service connection. Civil War pensions were reduced by 10 per cent. Various other provisions would make possible economy in veterans' affairs and wipe out many of the veterans' privileges obtained since the World War. The bill further provided for the lowering of the salaries of Senators and Representatives from \$10,000 to \$8,500 a year and for the reduction of all Federal salaries up to a maximum of 15 per cent on the basis of the decline in the cost of living. These last would be limited to the remainder of the fiscal year and that ending June 30, 1934.

President Roosevelt estimated that the economy law would save the government \$500,000,000, which when added to the savings that would result from the use of his power to reorganize the executive bureaus, should go far toward meeting Federal deficits. The President's continually growing prestige, public opinion and a sense of the dangers confronting the country explain the passage of the economy bill which stepped so hard on the previously invincible veterans' lobby. Only a few months ago the President's victory would have seemed impossible and it still may prove to be pyrrhic since the public's memory is poor while that of lobbyists is unpleasantly keen.

Action under this law and that enacted by the last Congress permitting the President to abolish or consolidate government agencies and bureaus was not long delayed. An executive order on March 27 abolished the Federal Farm Board and grouped all agricultural credit agencies in the Farm Credit Administration. Henry Morgenthau Jr. of New

York was named head of the new organization, which included the Federal Farm Board, the Federal Farm Loan Bureau, the Federal Land Banks, the Joint Stock Land Banks, the Intermediate Credit Banks, the Agricultural Credit Corporation, the Crop Production Loan Bureau and the Loan Bureau of the Department of Agriculture. The changes were expected to bring about a net saving of \$2,000,000, in addition to a similar sum saved from unexpended balances.

The following day, acting under the economy law, the President issued another executive order providing for a salary cut after April 1 of 15 per cent for practically all Federal Government employees. An annual saving of \$125,000,000 was expected to follow. On April 1, the President signed an executive order reducing veterans' pensions and benefits which affected nearly all the 1,400,000 pensioners on the government rolls. The order, when it becomes effective on July 1, is expected to save the Treasury at least \$400,000,000 a year. While the rates for veterans with service-connected disabilities were reduced a flat 20 per cent, the great number of pensioners compensated for non-service disabilities were removed from the rolls. The order, far-reaching and somewhat technical, marks the first time in American history when government pensions have been reduced.

When all authorized reductions in salaries, pensions and benefits as well as government reorganization have been completed, the President hopes that total savings of nearly \$900,000,000 a year will have been achieved. Whether or not this policy of economy is sound, it is popular and will go far toward balancing the budget, whose disorder has been cited as the cause for much of the financial and business trouble during recent years. For the moment, however, it lowers purchasing power and increases unemployment, thus adding further to the social and economic distress of the nation.

LEGALIZED BEER

The Senate was goaded into passing the economy bill by a seventy-two-word message from the President on March 13 which recommended the modification of the Volstead act in order to allow the manufacture and sale of beer and other alcoholic beverages permissible under the Constitution. A bill introduced by Representative Cullen of New York passed the House on March 14 by a vote of 316 to 97, but action in the Senate would have been delayed unless the pending economy bill was quickly passed or laid aside. With a public crying, "What! No beer!" the Senate hurriedly forgot the pleas of the veterans to save the old-time privileges. Even so, it was March 22 before the beer bill reached the White House for signature, thus legalizing the manufacture and sale of beer and wine of 3.2 per cent of alcohol by weight, or 4 per cent by volume. A tax of \$5 was placed on every barrel containing not more than thirty-one gallons, while brewers and wine-makers would be taxed \$1,000. The law also carried provisions for the protection of dry States against the sale or importation of beer and wine of 3.2 per cent.

Since most American laws, however important or significant, do not directly affect the daily life of the citizen, he is scarcely conscious of their existence. When a law does restrict his habits or way of living he protests as he has for years against the Volstead act and the Eighteenth Amendment. For that reason, if for no other, a law removing such restriction would be popular, and thus during March the prospect of beer brightened many a discussion. Men who could forget their palates contemplated the probable filip to business from the sale and manufacture of a much-desired beverage.

Under the provisions of the Federal law, beer could not go on sale until April 7; during the interim many States endeavored to establish sys-

tems for the regulation of sale and manufacture, systems which would avoid the corrupt political control so general in the years before prohibition. At the same time many States were making plans for conventions to act upon the repeal of the Eighteenth Amendment.

A bill which removed all restrictions upon the prescription of medicinal liquor except those established by professional ethics was passed by the Senate on March 29 and by the House the following day. While long favored by the American Medical Association, it would seem that this law helped to kill what little life remained in prohibition. Certainly it destroyed the effectiveness of the clauses of the Volstead act regulating physicians' prescriptions.

FARM RELIEF

With the banking law, economy bill and beer out of the way, President Roosevelt, on March 16, turned to the farm problem. After long conferences between the Department of Agriculture and farm leaders, with constant reference of the conclusions to the President, a bill was drafted which, as Mr. Roosevelt frankly admitted, called for "the trial of new means to rescue agriculture." Because of its complicated provisions, the bill confused members of Congress and disturbed the Eastern press, which continued its failure to appreciate the importance of agriculture in the national economy. One metropolitan daily denied that an "emergency exists with respect to the farmer. He is," this editor wrote, "largely the victim of his own post-war land speculation. The bill now put forward by the President is in no sense national. It is a sectional measure from every point of view." Such sentiments were general throughout the East, but they showed lack of understanding as well as an absence of self-criticism.

The bill actually was not as muddled as superficial examination made

it appear. Its purpose was to raise farm prices to the pre-war parity between the things a farmer buys and those he sells. Thus, in aiding the farmer, national purchasing power would be increased with the attendant boon to industry. Five general provisions in the bill would, it was hoped, make possible the attainment of that goal.

The Secretary of Agriculture would be empowered: (1) To obtain the voluntary reduction in acreage of certain crops by compensating producers with rental or benefit payments; (2) to enter into marketing agreements with producers, processors and others for the organization of commodity councils, which would help to determine the wisest plan of acreage reduction and the scale of taxation on processed goods; (3) to license processors and distributors where necessary to achieve the objects of the bill; (4) to impose taxes on the processing of the basic farm products; (5) to use the Smith cotton option plan for reducing the cotton crop of 1933, a plan which was passed by the last Congress but which was not signed by President Hoover. According to this scheme, farmers reducing cotton production by 30 per cent would be allowed to take options on the cotton held by the Federal Farm Board and other government agencies which the Department of Agriculture would buy. The farmer would pay the same price as that paid by the Secretary to the Farm Board and could exercise his option upon proving that he had reduced his acreage by the agreed amount. Reduced production should make possible a price that would bring a profit on both the cotton raised on the farm and that purchased through the option plan.

The sums paid out as benefits to the farmer for reduced production or for rental of the acreage withdrawn from production would be met from the processing tax. Such a tax, of course, would be passed on to the urban consumer, though, as Secretary

Wallace has said, "the slight contribution the consumer will make through retail prices will be more than compensated for by the revived power of farmers to buy the goods and services the city has to sell." The underlying philosophy of the administration's farm relief proposal was expressed by the Secretary of Agriculture in a radio broadcast on March 18. "This bill," he declared, "attempts a major social experiment. It looks toward a balanced social state. It is trying to subdue the habitual anarchy of a major American industry and to establish organized control in the interest not only of the farmer but of everybody else."

In Congress there was no great enthusiasm for the farm relief bill and it became apparent that it could not be rushed through without prolonged consideration regardless of how great might be the need for action before Spring planting. The House, however, under drastic rules which prohibited amendments and limited debate, on March 22 passed the bill by a vote of 315 to 98. Opposition in the Senate, which seemed great at first, gradually melted away after more than a week's hearings and after President Roosevelt had brought pressure to bear upon members of the Senate. But on April 3 the bill had not been passed.

Another phase of the problem of farm relief is concerned with the debts of the agricultural region. In the last Congress, after disturbances in the Middle West arising from tax sales and foreclosures forced consideration of farmers' grievances, bills were offered in Congress for the refinancing of farm indebtedness. Since none of these was passed, it was a foregone conclusion that the Roosevelt administration would seek a solution. The first definite step was taken on March 27 when Secretary Wallace submitted to the House a report which estimated farm debts at a total of \$12,000,000,000. There were mortgages on more than 40 per cent of

the nation's farms, the report showed, and they represent, "on the average, not far from half the value of all the mortgaged farms." The report recommended: (1) Voluntary adjustment of debts, but with protection for the interests of both debtor and creditor; (2) the refinancing of farm mortgages at low rates of interest; (3) the use of government instrumentalities for refinancing on favorable terms. This report preceded President Roosevelt's own recommendation on April 3 for a gigantic flotation of government bonds to aid in refinancing farm mortgage indebtedness.

AID TO UNEMPLOYMENT

The administration's unemployment relief proposals were filed in Congress on March 21. As outlined by the President in his message, the general plan embodied three types of legislation: (1) Presidential authority to enroll workers for public employment in reforestation, prevention of floods and soil erosion and work in the national parks; (2) grants to States for relief work; (3) a broad labor-creating program of public works. Only the first of these measures was proposed on March 21. It was then recommended that a "civilian conservation corps" of 250,000 unemployed men be enrolled for one year. The members, while being paid not more than \$30 a month, would be clothed, fed and sheltered. Those enlisted would serve for one year unless discharged sooner. William Green, speaking for the American Federation of Labor, attacked the proposal immediately as "smacking of fascism, Hitlerism and in some respects of sovietism." He maintained that the low wage scale would tend to depress wages throughout the country and deplored the proposal to place the corps under military discipline. Liberals in many quarters supported his criticism.

At joint Congressional hearings, where Secretary Perkins appeared to defend the bill, Congressmen had the novel experience of being told by a

woman that their attacks failed to "make sense" and of being urged to be "realistic." The bill, which had been introduced jointly in both houses, received favorable committee reports and when finally sent to the President on March 30 had not been altered fundamentally from its original form. As its sponsors readily admitted, the general purpose of this law was relief only, nothing more, but it should help to remove from the city streets thousands of panhandlers and social derelicts.

Before this bill was passed, the Costigan-Wagner-La Follette measure for \$500,000,000 direct relief to the States was introduced in the Senate. It provided for the appointment of a Federal emergency relief administrator to handle the fund, which would be raised by the Reconstruction Finance Corporation. Direct grants would be made to the States in amounts equal to one-third of the total expended by each State and its subdivisions for relief during the preceding three months. If additional assistance should be needed, the Federal relief administrator would be permitted to make grants as circumstances demanded. Senator Wagner in explaining the bill said: "It recognizes that not only must starvation be prevented but that standards of relief must be lifted if the growing generation is not to inherit all of the disastrous legacies of undernourishment and demoralization. * * * The plan embodied in the bill is designed to stimulate the maximum of local effort in the provision of relief and to supplement that effort with Federal assistance."

Meanwhile, the Secretary of Labor, whose department appears to be filled with the spirit of the new deal, laid plans for labor conferences, which would discuss further "immediate relief measures" and try to discover ways to assure the "permanent improvement" of standards. Secretary Perkins has also ordered an investigation of industrial wage cutting and has continually emphasized the rela-

tionship of wages to purchasing power and prosperity.

REORGANIZING INDUSTRY

While legislation was being pushed through Congress, the President and his advisers were busy studying questions and problems whose solution would stimulate general economic recovery. The railroads and the coal and oil industries stood out prominently in this regard. Almost as soon as the administration took office, discussion of the railroads and methods for overcoming their difficulties began between railway executives and representatives of the President. The results of these meetings formed the basis for later conferences between the President, railway experts and members of Congress looking forward to the introduction of specific legislation. Except for preliminary conferences, action in regard to the railroads belonged to the second month of the administration.

In search of stability for the oil industry, Secretary Ickes called together the Governors of the oil-producing States and representatives of oil companies for a conference on March 27. The chief hope was that production might be limited and that restrictions on output could be enforced, because, Mr. Ickes declared in his address to the conference, "the public is concerned with the necessity for bringing production of crude oil into balance with the market demand for petroleum products. If this balance can be attained, stabilization will follow, with protection to royalty owners, landowners, the consuming public and manufacturing and marketing agencies." When the majority of representatives reached the conclusion that control through cooperation between State authorities and the industry was impossible, Federal regulation seemed in order, since only in that way would allocation of production and supervision of shipments be feasible. A program finally was adopted which asked for a Federal

administrator who would cooperate with State authorities in limiting the production and importation of oil.

President Roosevelt, two members of his Cabinet and leaders of the United Mine Workers met on March 27 to discuss ways of rehabilitating the coal industry. In his campaign Mr. Roosevelt spoke in favor of reducing cutthroat competition in the industry and may well sponsor legislation looking toward that end. Actually a spur to cooperation in the industry was given in a decision of the Supreme Court on March 13 which ruled that Appalachian Coals, Inc., a selling agency for 137 coal producers, did not violate the Sherman anti-trust act. Chief Justice Hughes held that the agency was "engaged in a fair and open endeavor to aid the coal industry in a measurable recovery from its plight."

FINANCIAL REFORMS

Parallel to the administration's efforts to aid in the restoration of major industries, are its measures to protect the public against the evils that seem to be inherent in modern financial methods. Considering the events of the last few years, it should occasion no surprise that regulation of banking practice and of the sale of securities should receive immediate attention. Actual reform of banking methods, while not presented for Congressional action during March, was a future certainty as events of the month made clear. Winthrop W. Aldrich, chairman of the board of the Chase National Bank, announced on March 8 that the bank had decided to divorce its security affiliate and called for a complete separation of deposit and investment banking. He also advocated the denial to private banking houses of the right to receive deposits and the barring of private bankers as directors of banks of deposit.

This sensational statement from a prominent banker came a day after the National City Bank announced

that its security affiliate would be divorced and preceded the announcement on March 9 that the First National Bank of Chicago had taken over the banking business of its affiliate. Apparently the banking crisis forced a change of attitude since it will be recalled that the bankers had opposed bitterly the proposal of the Glass banking bill to force over a period of three years the separation of banks and their affiliates.

In a radio address to the country on March 12 President Roosevelt promised to eliminate "bad banking practices" and the next day gave his support to a continuance of the investigation by the Senate Banking and Currency Committee into the banking situation. Senator Fletcher announced that the committee would ferret out "all of the ramifications of bad banking so that the government will be able to guard against their continuance and prevent their return." Meanwhile, bankers in many large cities were under arrest or indictment for misuse of banking funds, and the Department of Justice under Attorney General Cummings seemed ready to prosecute violations of the law to the limit and to take action whenever banking irregularities might be revealed.

Federal regulation of the sale of securities was recommended in a Presidential message to Congress on March 29. Recognized as the first step toward supervision of stock exchanges, the bill which accompanied the message provided for the fullest publicity regarding securities offered to the public by providing that no person or corporation may deal in securities in interstate commerce until those securities have been registered with the Federal Trade Commission. Registration would involve filing with the commission full information, given under oath, about the issue of the securities. If, upon examination, it should be disclosed that any of the provisions of the act had been violated the registration might be re-

voked and suitable penalties inflicted. The Federal Trade Commission would be invested with far-reaching powers to enforce the act, which, in the words of the President's message, "adds to the ancient rule of *caveat emptor* [let the buyer beware] the further doctrine, 'Let the seller beware.' It puts the burden of telling the whole truth on the seller. It should give impetus to honest dealing in securities and thereby bring back public confidence."

The proposed law added nothing to the gayety of Wall Street, but in the chastened mood characteristic of both bankers and brokers at the end of March, feelings of protest, however great, were repressed in public. Congress as a whole approved the proposed law and was expected to grant it speedy passage toward the statute book.

PATRONAGE

No crisis could be great enough to keep office seekers out of Washington. Thanks to the classified civil service the pressure for place and pay is not as great as years ago, though, conditions being what they are, the clamor for office today brings forcibly to mind the remark attributed to Lincoln in 1861—that he felt like a man letting lodgings at one end of his house while the other end was on fire. As the administration's policy seemed to be to withhold most appointments until the immediate legislative program was out of the way, none but essential positions were immediately filled. Still the press of patronage seekers has been tremendous, and Postmaster General Farley, in whose hands rests the power to assign places, has sought to discourage most applicants, forcing them to address him through the offices of the Democratic National Committee. Perhaps the most notable appointment made by Mr. Farley in March was that of Harry M. Durning of New York City to be Collector of the Port of New York, a post which has been the cause of famous political quarrels in the

past and which on this occasion was filled without consulting Tammany Hall.

Among the more important diplomatic appointments made during March were the following as Ambassadors: Robert W. Bingham of Kentucky to Great Britain, Jesse I. Straus of New York to France, Josephus Daniels of North Carolina to Mexico and Claude G. Bowers to Spain.

THE MOOD OF A NATION

In surveying the first month of the Roosevelt administration, one must quickly concede that the measures enacted were, for the most part, emergency in nature and therefore only palliatives. The attack on the fundamental faults of the economic and social system was postponed, as was to be expected; for the moment the new deal consisted in restoring lost confidence and soothing the worse sores upon the body politic. If the farm relief proposal becomes effective, it may indeed be the month's only measure of a fundamentally constructive nature. But in March the country as a whole was not alarmed at the failure to remake America in four weeks.

The hope which sprang in American breasts was stimulated by the sight of a President and Congress actually accomplishing something—whatever it was. The political skill with which Mr. Roosevelt handled his program caused admiration; it was indeed novel to have a Presidential message accompanied by a carefully worked out bill which embodied the ideas of that message; and the succinctness of the messages themselves gave a new meaning to the term State papers. But most pleasing of all was the realism with which the new President went to work and his constant assurance that the new deal meant the subservience of all interests to the common good, a phrase which he seemed to guarantee should not be resounding emptiness.

Because of the bank closings and much of the uncertainty accompany-

ing them, the general business situation during March did not reflect the optimism of the country. For the week ended Feb. 25 *The New York Times* index of business activity stood at 52.3; in the following week it fell steadily as the full effect of the banking collapse was felt until for the week ended March 18 it touched a low point of 47.9. The next week, as business picked up slightly, the figure rose to 50.4. Meanwhile, commodity prices improved somewhat, rising, according to *The Annalist* commodity index, from 80.5 for the week ended March 3 to 82.9 for the week ended March 21, but a week later the index had fallen to 82.1.

The dreary story told by these indices was almost ignored by a people enthralled with the performance of the new administration and distracted by events elsewhere in the nation. Certainly it was an amazing month. In the midst of the banking crisis an earthquake in Southern California on March 10 killed more than 100 people, injured several thousand and caused heavy property damage, especially in the city of Long Beach, which was virtually destroyed by the series of shocks. From California, also, came the unexpected news that, on April 26, Thomas J. Mooney would be tried for the remaining and untried indictment against him for complicity in the Preparedness Day bombing in 1916. Years of agitation by radicals and liberals for the release of Mooney now seemed likely to bear fruit, as there could be little doubt that this new manoeuvre was being employed as a means not only to release Mooney from prison but to remove him as an excuse for continued radical demonstrations. (For aspects of this famous case, see the article, "Why Mooney Remains in Jail," in March CURRENT HISTORY.)

Another *cause célèbre*, the so-called

Scottsboro case, again became news when, on March 27, at Decatur, Ala., the nine Negroes charged with assault upon two white girls in March, 1931, were brought to a retrial. In April, 1931, the nine Negroes, all of them only boys, were condemned to death in a county court. On appeal to the Alabama Supreme Court, the death sentences were confirmed in all cases but one. Appeal was then made to the Supreme Court of the United States, where, on Nov. 7, 1932, a new trial was ordered on the ground that the original trial, by depriving the Negroes of counsel, had violated the due-process-of-law clause in the Constitution. For two years the case has caused radical agitation throughout the world, since it has been alleged not only that the Negroes were deprived of a fair trial but that the charges against them were based on flimsy evidence.

THE PHILIPPINES

The final report of Theodore Roosevelt as Governor General of the Philippines was made public on March 26, shortly after he sailed from the islands, where he had been in office little more than a year. The report showed that through reorganization of the government, rigid economy, reduction of salaries and revision of the tax laws a treasury surplus existed at the end of the year instead of an anticipated deficit. Under Governor Roosevelt efforts were made to assist the small Filipino farmer in diversifying his crops, to protect him through tariffs on imports, to curb usury, to reassess land values and to make reasonable credit available. During the year the necessity of starting the islands toward economic independence became apparent; a revised tariff policy and the trade surveys in the Far East looked toward that goal.

Mexican Constitutional Changes

By CHARLES W. HACKETT

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IN no country of the New World has there been more far-reaching legislative reform during the past twenty years than in Mexico. In letter and in spirit most of it has been boldly nationalistic, much of it has been radical and some of it, especially that relating to religion, has uprooted long-established institutions. According to recent news the process of revising the organic laws of Mexico has advanced another step. This was the promulgation on March 20 of an amendment to the Constitution limiting the period of office of the President to one six-year term. The last regular Congress had approved the change and it had been formally ratified by two-thirds of the Mexican States. The amendment also provides that Senators and Deputies are hereafter to be chosen for six-year and three-year terms, respectively, and neither may be re-elected for the term immediately following the one in which they serve. Mayors and State legislators are likewise barred from succeeding themselves. As in the case of the President, Governors may serve for one term only.

This constitutional amendment, popularly known as the "anti-re-election law," though owing its inspiration and enactment to the present "strong man" of Mexico, former President Plutarco Calles, is designed to prevent the establishment of any form of dictatorship or the control of either the federal government or a State for a prolonged period by any group or individual. It is therefore one of the most notable measures taken in Mexico to insure the future of the

democratic form of government and reflects great credit on the unselfish patriotism and foresight of Señor Calles and his followers of the National Revolutionary party. The transfer of executive power, both national and State, should in the future be orderly and peaceable, in contrast with the conspiracies and upheavals which have so often marred such occasions in the past. There will also be a considerable extension of the opportunities for gaining political experience, and the development of new leaders should be stimulated.

The next general election in Mexico will not be held until July, 1934, but the new law requires the registration of Presidential aspirants before July 1 of this year. Among the prospective candidates who have been prominently mentioned are the following: Luis Cabrera, former Minister of Finance; General Juan Andreu Almazán, military commander of Monterey; General Lazaro Cardenas, Minister of War; Antonio Díaz Soto y Gama, Agrarian leader; Fernando González Roa, Ambassador to the United States; Alberto J. Pani, Minister of the Treasury; General Manuel Pérez Trevino, president of the National Revolutionary party; Dr. José Manuel Puig Casauranc, Minister of Foreign Relations, and Aarón Saénz, former Minister of Industry, Commerce and Labor.

J. Reuben Clark, present Ambassador to Mexico, is to be succeeded by Josephus Daniels, former United States Secretary of the Navy. Some Mexicans have not forgotten that it was Mr. Daniels who ordered the land-

ing of American forces at Vera Cruz in 1914, and the news of his appointment was followed on March 24 by a Communist attack on the United States Embassy in Mexico City. Windows were broken, but the demonstration did not assume serious proportions. Placards attacking the appointment of Mr. Daniels, however, appeared in all parts of the city. Several alleged Communists were arrested and are to be deported to the penal colony on Marias Island. Opinion among American business men in Mexico City was also reported to be opposed to Mr. Daniels's appointment.

Although the Mexican Government has expressed its willingness to receive him, the selection of Mr. Daniels can scarcely be praised for its tact. Only three months ago the Mexican Government and people held solemn ceremonies in honor of the surviving defenders of Vera Cruz and of the national heroes who lost their lives.

Scattered instances of anti-clerical legislation in Mexico continue to come to light. The Legislature of the State of Guanajuato on March 1 decided that all priests who profess allegiance to a foreign potentate should henceforth be declared foreigners; under Mexican law this action will debar them from officiating as priests. Early in February the State of Chiapas enacted a law which limited the number of functioning priests to four for a population of 500,000, and a month later the complete suspension of Roman Catholic Church activities in that State was reported.

THE SITUATION IN CUBA

The beginning of the long-heralded revolution in Cuba was announced early in March by members of the colony of more than 1,000 Cuban exiles at Miami, Fla. These exiles said that guerrilla warfare was being carried on in order to weaken the Federals by obliging them to scatter their forces before any large scale and decisive action should be undertaken by the rebels. This prediction

seemed to be confirmed by news from Havana on March 2 that disorders were increasing in the interior of Cuba, centring in the three lower provinces of Camaguey, Santa Clara and Oriente. Included in the reports was one concerning the incendiary burning of 200,000,000 pounds of sugar-cane in Oriente Province. Havana dispatches of March 4 reported the attack—without casualties—upon the Santiago-Havana Express by an armed band in Santa Clara Province, the daily appearance of new armed forces in the interior, the derailling of a train hauling sugar-cane in Oriente Province and the explosion of a bomb in the residence of the Acting Governor of Camaguey Province. Numerous disturbances of a minor character, including a wave of theatre bombings, were also reported.

If those disturbances constituted the beginning of a revolution, it proved to be an abortive one. Semi-official dispatches of March 7 confirmed reports from the interior that while small bands in at least three provinces had recently taken the field, they were numerically weak, isolated and without leadership. Instead of open rebellion, Cuban discontents apparently found expression in acts of terrorism. Leopoldo Fernández Ros, the chief of the government's strong-arm squad, known as *La Partida de la Porra* ("the Bludgeon Party"), was killed by unknown assailants while he stood at a street corner in Havana on March 11. Seventy-five Oppositionists were reported to have been arrested by the military after the assassination. A large bomb which exploded in the business section of Havana on March 12 killed six persons, wrecked the front of a business house and shattered windows for blocks around. March closed without any change in the situation that prevailed during the first half of the month.

A three-day bank holiday in Cuba, beginning on March 6, which was decreed by President Machado, was extended by him to include March 9. The

first decree suspended for three days all banking operations in Cuba but exempted checks made payable to national or provincial governments and municipalities. The decree extending the holiday for an additional day exempted banking operations connected with the production, manufacture, sale, transportation and exportation of Cuban products; it also provided that payments against importations of all classes of merchandise might be made upon authorization of the Treasury. Withdrawals of deposits from March 9 to March 25 were limited by the decree to 10 per cent, but deposits made after March 9 were not to be subject to limitation. Under these regulations Cuban banks reopened on March 10 and five days later all restrictions were removed and normal banking operations were resumed.

The military censors on March 23 confiscated 115 copies of the April issue of *CURRENT HISTORY*, because of the article, "Cuba Under President Machado," by Russell Porter. This was the second successive confiscation of the magazine because of articles that the censors considered highly prejudicial to the present Cuban administration. Referring to this article an editorial in *The New York Times* of March 22 said:

"No more impartial review of po-

litical conditions has been made. Mr. Porter does justice to the achievements of the President [Machado] in his first term. * * * It is the second Machado administration that has provoked not only warranted criticism but one revolt and the threat of another."

NORMALCY IN NICARAGUA

Nicaragua's progress to normal conditions was assured on March 23 when President Juan B. Sacasa lifted the state of siege which had been declared throughout most of the country by Congress on Jan. 22. In his statement President Sacasa took occasion to urge non-partisan cooperation in fighting against the disasters of the economic crisis and offered the support of his administration to the investment of foreign capital.

MARTIAL LAW IN HONDURAS

Martial law for as long a period as President Tiburcio Carias Andino deems necessary was decreed by the Honduran Congress on Feb. 26.

Repercussions of the American banking crisis were felt in Honduras, and to prevent a panic President Carias on March 8 issued an emergency decree prohibiting for six days the payment by banks of more than 10 per cent on sight obligations.

Foreign Interests in South America

By HENRY GRATTAN DOYLE

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Is the present disturbed international situation in South America purely political, or are there important economic factors involved? Can one discern behind the conflicts over the Chaco and the Leticia region the ugly spectre of economic struggle in which the unseen contestants are willing to

sacrifice the youth of four nations for selfish gains? Does the blame for the folly of inciting useless war lie at the doors of American economic imperialism, or to use another expression for the same thing, "dollar diplomacy"? These questions have again been brought into prominence particularly

by allegations of recent commentators on the difficulties that have led to warfare between Paraguay and Bolivia over the Chaco. A discussion of these allegations seems all the more relevant at this time in view of a somewhat general attitude among certain sections in the United States with regard to the record of our business men in South America. So, while the dove of peace still hovers over the two sore spots of the South American continent, unwilling or hesitant to alight despite the best efforts of the sister-nations of that continent, the neutral commission in Washington, the League of Nations and the public opinion of the rest of the civilized world, it may not be out of place to consider briefly the relative truth or untruth of the implications behind these questions.

At the conclusion of his article on "Warfare in the Chaco Jungle" (April CURRENT HISTORY, page 46), John W. White, chief South American correspondent of *The New York Times*, writing from Buenos Aires, says: "Without seeking to weigh the merits of the rival claims of Bolivia and Paraguay, it can be said that the Chaco war is a by-product of South American politics. *Unlike European wars, no vast business interests are involved* [italics, the writer's]. The Chaco hides no wealth of natural resources to tempt foreign concession hunters. But long ago weak South American Presidents found that the most effective way of defending themselves from revolution was to stir up a war scare. The Chaco has served this purpose so often in both Bolivia and Paraguay that people of both countries are convinced that the problem can be solved only by war."

With this point of view the present writer is in substantial agreement. No definite evidence has yet appeared to indicate that Bolivia's insistence on her territorial claims in the Chaco and Paraguay's stubborn resistance to them obey any other impulses than those of nationalistic feeling, patriotism if you like, and the unwillingness

of most divisions of the human race at our present stage of civilization to abandon a position which involves national honor, sanctity of the national soil and the like once the proverbial chip has been knocked off the proverbial shoulder.

The opposite point of view is stated, though not accepted, by Elmer Davis in an article appearing in *The New Republic* of Feb. 22, 1933, entitled "Paradigm in Paraguay." "Why the pot at last boiled over [in the Chaco]," he declares, "is clear enough to radical theorists. Bolivia, controlled by American capital, wants an outlet to the sea for her oil and tin; Paraguay, controlled by Argentine (i. e., ultimately English) capital, wants to prevent it. Plausible enough—except that Bolivia has easy access to the sea by rail through Chilean territory; and that in view of the present world prices of oil and tin, you would think that if the Paraguayans really hated the Bolivians they would let them export all they liked, and go deeper into the red. Nor, if Bolivia is an American cat's-paw, is it easy to understand the persistent Bolivian complaints that the Hoover administration was giving Paraguay all the breaks."

Editorial comment in the same issue of *The New Republic*, after indicating an imposing list of authorities, discusses in some detail American loans to Bolivia, American investments in Bolivian tin mines, deplorable labor conditions in Bolivian tin mining and, finally, the activities of the Standard Oil Company of New Jersey, which has a concession for oil-bearing lands in Bolivia. Space forbids quotation of the editorial in full, but we quote sentences of unmistakable implication.

With regard to the tin industry, after reference to the difficulties and relatively high cost of transportation through Pacific ports, the editorial states: "It would be to the advantage of American tin-mining interests to break the British monopoly and cut transport costs by annexation of the Chaco to Bolivia." The statement is

repeated in slightly different form later as follows: "And if transportation costs could be reduced by the annexation of the Chaco, American capital would receive the first fruits of the Bolivian victory." With regard to the oil lands, reference is made to wells brought in and capped by American interests "because it has been agreed that Bolivia was to get 11 per cent in royalties. When Bolivia annexes the Chaco, the wells will be uncapped and royalties will pour into the national treasury." This last statement is apparently based upon the assumption that the Standard Oil Company plans a pipe line across the Chaco to the Paraguay River, a plan which the company has denied (see CURRENT HISTORY for March, 1933, page 732). Development of this area, the editorial further states—on the authority of *The Anglo-South American Handbook*—is retarded by lack of transportation. "Bolivian victory," it declares, "would solve this 'lack of transportation.'" The concluding paragraphs include these statements: "Bolivia is virtually a colony of the United States. American investors own or hold mortgages on the whole land." "Imperialist nations are rehearsing for another world war. The Manchurian episode, the Colombia-Peru squabble and the Chaco dispute, whatever else they are, are struggles for trade and markets."

Disgust over the incompetence of certain American bankers in their loan operations in South America and repulsion at their dealings with corrupt and tyrannical governments should not lead us to condemn all American companies engaged in South American operations. Nor should governments which overthrew the dictators under whom questionable loans were floated be insulted by implying that they have tamely allowed themselves to become American satrapies. The curious thing about the whole theory behind such implications is that it seems to be held only in the United States. Even South American students,

usually most outspoken in their criticism of "Yankee imperialism," have not blamed the Chaco difficulty on American economic interests. Neither have the Paraguayans attributed alleged Bolivian aggression to American sources. William Wallace White, Paraguayan Consul General in New York, wrote me as follows: "You are quite at liberty to quote me as stating that no charge that American business interests have fomented difficulties between Bolivia and Paraguay emanates from Paraguay."

One of the most interesting aspects of the Chaco controversy is a discussion between the Rotary Clubs of La Paz (Bolivia) and Asunción (Paraguay) as to the merits of the cases of their respective countries. But the Paraguayan Rotary Club's pamphlet sums up its argument in this sentence: "What Bolivia really wants is not a port, but Paraguayan territory with which to satisfy her political ambitions for hegemony." Nowhere is any foreign influence, open or secret, alleged.

But let us examine some of the points brought out in *The New Republic* editorial. Reference is made to "cutting transportation costs by annexation of the Chaco" as an expected benefit to American tin producers in Bolivia. This statement overlooks the geographical facts in the case. Bolivian tin is produced largely in the highlands. Its shipment by way of the Atlantic would require construction of costly railroads through a mountainous region and across the Chaco, whose swampy jungles have been so graphically described, transshipments to steamers on the Paraguay, and then a 1,000-mile journey down the river to the Atlantic, before the alleged advantages of an outlet to the Atlantic would be available. A further fact, unknown to many people in the United States, is that the Pacific ports of Chile are actually nearer to American ports than is Buenos Aires or Montevideo. For instance, the ocean distance from New York to

Arica, the Chilean port through which Bolivian products are mostly shipped, via the Panama Canal, is 3,938 nautical miles; to Antofagasta, 4,157 miles; to Mollendo, Peru, 3,813 miles. But the distance from New York to Buenos Aires, direct, is 5,871 nautical miles. So much for cutting transportation costs.

With regard to the petroleum, any pipe line across the Chaco, already mentioned, while it would give access to the Paraguay River and thence to the sea, would involve prohibitive construction costs because of the nature of the terrain. Moreover, the natural outlet for oil from the Standard Oil Company holdings is by way of the Argentine. The first drillings of the company were only about fourteen miles from the Argentine frontier, and materials for prosecution of the work were brought from Embarcación, then the railhead of the Northern Argentine railways. Should the projected railroad between Santa Cruz (Bolivia) and Yacuiba (Argentina) ever be completed, it would provide direct connection between the oil fields and the outside world. But under present world conditions, with producers trying to curtail production, the likelihood that the oil deposits of Bolivia will compete with those of Venezuela or Colombia, for instance, is very remote—perhaps a matter of a generation or more. In the meantime, science may have very much reduced or even eliminated the commercial importance of petroleum.

It is with the assumption that American investments in Bolivia have made it a "colony" that I have my chief quarrel. It has been pointed out—among others—by Dr. Dávila, who attempted to establish the Socialist Republic of Chile—that investments of foreign capital do not necessarily mean political domination. If so, Great Britain would have "dominated" the United States during certain periods of our industrial development, and on the same basis Canada

might be said to be "dominated" by the United States. It is true that American investments in Bolivia increased from \$10,000,000 in 1913 to \$133,000,000 in 1929, and in Chile from \$15,000,000 in 1913 to \$395,000,000 in 1929. That expansion, however, was part of the new position as a world power assumed by the United States during that period. In the words of a member of the First Pan-American Financial Conference, "What is the principal object of this conference? The commercial expansion of the United States in Latin America, taking advantage of the situation created by the European War. All the rest is subsidiary. From the standpoint of the Latin countries the corollary of that premise should be: Given the situation created by the European War and the mutual necessity of extending American commerce in the Latin republics of the Continent, to request of American finance the necessary elements for the development of our natural resources and of our national commerce." In other words, the Latin-American countries sought and American capital granted aid in economic development—the identical position that the United States found itself in when it was a borrowing, not a lending country.

Irritation over the financial situation in which some of the Latin-American countries find themselves is directed at their own former leaders rather than at the United States. (See M. A. Marsh, *The Bankers in Bolivia*, page 128.) As J. F. Normano points out in an interesting chapter in his *The Struggle for South America*, "the anti-Yankee movement in South America is not due to economic penetration; it is not a cultural danger (who believes seriously in it?) but mere political atmosphere. The 'Peligro yanqui' in Spanish America is a *psychological phenomenon*, continually incited and nourished by the propaganda in Europe and North America on the one hand, and by the foreign policy

of the United States toward Latin America on the other. The condition in Latin countries in North America, darkly painted by traveling and writing anti-Yankees, colored by European propaganda, and exaggerated by the anti-imperialists of the United States, is one of the causes of these sentiments. * * * Even if Manuel Ugarte, by the will of fate, should ever become a leader of a government, even he would open the door to foreign capital and invite the United States's cooperation." Despite Dr. Normano's alleged previous history, his book is penetrating and intelligent.

A final quotation may be taken from Mrs. Marsh's *The Bankers in Bolivia*, from which Elmer Davis's "radical theorists" seem largely to draw for their statements. After speaking of dread of North American domination in the Southern continent, she says: "Bolivia, still in the early stages of inducing capital from the United States to invest in its mineral resources and its bonds, with the exception of an almost negligible radical element, has not yet arrived at this anxious state. * * * Except for petroleum, in the exploitation of Bolivia's natural resources Chilean and European concessions and capital actively rival American, while British and German metal buyers are severe competitors of American in handling the mineral output. Bolivia's principal railway system, though built by Americans, is operated and largely owned by a British company. In Bolivia's export trade the United States occupies a very inferior position to Great Britain, although in supplying Bolivia's import needs this country is in the lead. * * * North American investments in Bolivia exceed those of any other foreign country, but they have not monopolized the field by any means, nor does the preponderance of American capital, at present, at any rate, represent the domination of Bolivian life by North Americans. * * * American imperi-

alism in Bolivia is not, therefore, a thing of the present, and the future is always a matter of conjecture, a pre-eminently dangerous procedure." That she follows this procedure in the last few pages of her book does not weaken the facts which precede. They hardly indicate that Bolivia is "an American colony."

Space does not permit discussion of the implication that imperialism—American imperialism?—is behind the Leticia dispute between Peru and Colombia. I shall only quote from the *Boletín* of the CIADE (Confederación Iberoamericana de Estudiantes), a radical group not at all friendly to imperialism, American loans or the bankers: "The possession of the port of Leticia does not increase either the economic power or the spiritual and political force of Peru; neither does it increase the moral and economic worth of Colombia. * * * A boundary conflict over the possession of a piece of equatorial forest, a war for the possession of potential wealth, among peoples like ours, who have grave problems to solve * * * is a crime without justification unless it be a pretended outrage against patriotic sentiment. * * * The dictator of Peru, Sánchez Cerro, will provoke war and attempt to launch his people into armed strife, with the exclusive object of causing the masses of his people to forget for the moment the struggle for emancipation that they are carrying on against the dictator, attempting, in this way, to maintain himself in public power, which he retains, as everybody knows, thanks to procedures of terrorism and immorality which have been universally reprobated."

In concluding this discussion, I repeat that I am not attempting to whitewash American bankers or to justify all the actions of American industrialists in South America. What I do refute and deny, until more convincing evidence is adduced, is the implication that American economic interests have plunged Bolivia and

Paraguay, or Peru and Colombia, into the fratricidal strife that all the world regrets and deplores.

The dictators who saddled their countries with unjustified loans have gone, displaced by their own people, and in their places we have men of integrity like Salamanca of Bolivia, Alessandri of Chile and others, who would lift, if they could, the economic burdens which they have inherited and for which they are not responsible. The American bankers are reaping the reward, in part at least, of their stupidity. President Roosevelt's proposals for investment legislation cannot restore the huge losses of American investors, but they are an indication, with his message to Congress, of the attitude of the American public toward actions and practices which more than any other factor are responsible for the point of view with which my comments have had to deal.

THE LEAGUE AND LETICIA

The Council of the League of Nations on March 18 adopted a report condemning Peru and recommending immediate evacuation by Peruvian forces of the Leticia trapezium. The Council also set up a committee to carry out the recommendations of the report, and invited the United States and Brazil to collaborate in the work of the committee. A broadcast by the League of Nations radio station in Geneva gave to the world the full text of the report, which included a summary of efforts to settle the question by Brazil and the United States as well as by the League.

The report brought out the fact that Peru's reply to the League's proposals of March 1 had been unsatisfactory and that Peru had been so notified on March 8. A press report from Geneva quoted Francisco García Calderón, the Peruvian delegate, as saying that "treaties in Europe must be inviolate, but treaties between South American countries must be dealt with in a different spirit." The

League report, he was reported to have said, ignored the "moral and psychological" features of the situation. After adoption of the report, the Peruvian delegate walked out of the room, but later said this action meant "I leave the Council, but not the League."

Both Brazil and the United States accepted the invitation of the Council to associate themselves with the proposed committee, and Hugh R. Wilson, American Minister to Switzerland, was named as the representative of the United States, without vote, and with a reservation against being bound in advance by any action of the committee. A proposal on March 22 to adopt an arms embargo against Peru if Peru opposed Colombian reoccupation of Leticia was not adopted, as Mr. Wilson said the United States could not act unless the arms embargo proposal, giving authority to the President to declare an embargo, was passed by Congress. Doubt was expressed as to the authority of the representatives of Germany and Italy to join in such an embargo.

Military operations in the Leticia area have been confined, so far, to minor skirmishes, airplane combats, bombings from the air and one battle in which the Colombians reported that on March 26 they had captured Guepi, on the right bank of the Putumayo River, defended by 500 Peruvian soldiers of the regular army. The battle, the most serious to date, was believed to mark the opening of a general Colombian offensive, for which it was reported that Colombia had concentrated about 10,000 men.

PERUVIAN REVOLT

A short-lived revolt broke out in Peru on March 11. Led by Lieut. Col. Gustavo A. Jiménez, a former Provisional President of Peru and Minister of War under the Samáñez Ocampo provisional government, the uprising began at Cajamarca, about 400 miles north of Lima, where the Elev-

enth Police Regiment revolted, but did not spread to other sections because the government had been warned that a national uprising was planned and had taken measures to prevent it. According to government reports, Communists and Apristas were associated with Colonel Jiménez in the revolt. The rebels were defeated by government troops at San Cristóbal on March 14. Colonel Jiménez, who had attempted to escape in a motor car, shot and killed himself when cornered by government forces. According to reports from Chile, Manuel Seoane, a leader of the Apra party, had informed associates that the revolutionary movement was intended to replace President Sánchez Cerro and bring about fundamental changes in domestic and foreign policies, particularly with regard to the Leticia question. According to this report, a pact had been signed at Arica in November under which the revolt was to be begun simultaneously throughout Peru. An unconfirmed report as long ago as Feb. 11 said that a revolt under Colonel Jiménez had broken out at that time. Fourteen officers and 260 enlisted men were captured by the government troops, and on March 15 a court-martial of the rebel prisoners was begun.

EVENTS IN THE CHACO

The Paraguayan Chamber of Deputies on March 7 formally approved a bill authorizing President Ayala of Paraguay to declare war against Bolivia whenever he deemed it advisable. The measure had passed the Senate on March 3. On the same day League intervention in the Chaco dispute was invoked by the representatives of Ireland, Spain and Guatemala "in exercise of the friendly right conferred by the covenant of the League." Hope that the ABC-Peru peace proposals might be accepted was dissipated by reports on March 8 that the Bolivian reply laid down conditions unacceptable to Paraguay, including, it was reported, a proposal

for revision of the award made by President Hayes. A plan for exchange of prisoners under the auspices of Uruguay also failed.

A general offensive by the Bolivians began on March 12 and resulted in the worst defeat suffered by the Paraguayans since the Chaco war began last July. Fort Alihuata, between Forts Saavedra and Arce, used by the Paraguayans as a base from which to supply Saavedra and Nanawa, was captured. Renewed efforts to take Fort Toledo were repulsed by the Paraguayans. Poison gas was used for the first time in the attacks by the Bolivians. About 40,000 troops were reported as participating in the offensive under the orders of General Kundt; Paraguay claimed that 2,000 casualties had been suffered by their opponents at Fort Toledo. On March 17 a drive on Campo Jordán (Kilometer Seven) began, and on the following day it was announced that the position had been taken.

The loss of Kilometer Seven was a serious blow to Paraguayan morale, as well as a grave military loss. The position had been stubbornly defended by the Paraguayans, with something of the "they shall not pass" spirit. Its loss gave the Bolivians possession of the whole centre of the Paraguayan line, as well as placing them in a position to make heavier attacks on Forts Arce and Nanawa (Ayala). Rains during the following week prevented further mass attacks, but activity by the artillery was reported as continuing. Bolivian headquarters were said to believe that the campaign in the Chaco had reached its final phase.

COLOMBIA'S DEFAULT

During the last week of March, President Olaya Herrera of Colombia, signed a decree under the terms of which Colombia will discontinue remittances of funds for payment of interest on the bonds of the national government and the government-guaranteed agricultural mortgage bank

loans. It is understood also that the decree applies to the \$20,000,000 short-term bankers' loan negotiated in 1930, concerning which there was much discussion in the course of the American Senate's investigation of foreign loans. All departmental and municipal bonds, as well as private mortgage bank bonds of Colombia, were already in default, both as to interest and sinking-fund requirements, while the

national bonds referred to above were in default only as to sinking-fund requirements. This means that all Colombian foreign issues are now in default. Interest due on April 1 for national bonds was to be paid, remittance having been made for the purpose. The object of the decree was to employ all available resources to meet contingencies which might arise in connection with the Leticia campaign.

British Financial Stability

By J. BARTLET BREBNER

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BRITISH attention recently has been directed more to the foreign than to the domestic scene. Events in the Far East, the growing tension in Europe and the American banking crisis have attracted greater interest than otherwise because nothing very dramatic was occurring at home. Yet the very absence of drama concealed a remarkable and successful bit of co-operation between London and New York during the American bank holiday. The British Government, having succeeded in stabilizing the pound sterling at between \$3.40 and \$3.45 to facilitate trade, was confronted by a rush of international short-term funds to London. "The government is almost embarrassed by the amount of foreign money," said Neville Chamberlain, the Chancellor of the Exchequer. By selling sterling freely and buying francs, dollars and gold through the exchange equalization fund, the British financial authorities were able, during the two weeks before and after March 4, to prevent the pound from fluctuating to any greater extent than between \$3.38 and \$3.48. The large transactions in francs and French gold helped to check the run on the dollar, and repaid in kind New York's assistance to

London in the British crisis of August and September, 1931.

The immense increase in the gold holdings of the Bank of England, which has accompanied the stabilization of sterling at about \$3.42, has attracted much attention and has led to many interpretations, among them that the United Kingdom would soon return to the gold standard. The responsible authorities have repeatedly denied this, for it has been easy to demonstrate that since abandoning gold the British price structure has been stable and has reflected only slightly the continued world decline. The one serious possibility, that of a large capital loss which might arise from certain technical aspects of the exchange operations, has been greatly diminished by the glut of cheap money in London. The Treasury has begun to contract the expansion of about £200,000,000 in Treasury bills, which it has used in its exchange policy by converting them gradually into 11 to 16 year bonds.

Lloyd George on March 11 flung a gibe at the whole remarkable financial apparatus and its working since the midsummer of 1931 by saying that it was "about time the golden

calf was converted into honest veal." He thus drew attention to the government's continued failure to restore domestic prosperity. Neville Chamberlain has cautioned the country against the hope of any sweeping revival though he believes that industry and trade are slowly improving. He declares that any increase in employment must be gradual because of the displacement of workers by machines and the end of the usual annual emigration of about 300,000 persons. In the House of Commons, the government has angered its socially-minded critics by refusing to abolish or enforce uniformity in the means test for poor relief and by its abandonment of housing subsidies in favor of local initiative.

Unemployment declined by 46,427 during February to a total of 2,856,638, compared with 2,701,173 in 1932. Trade and industry seemed almost to hold their own, although comparisons were difficult because of the abnormalities of February, 1932. Great Britain has regained her place as first among the exporting nations of the world, but the totals were pitiful when compared with the averages of the post-war years. The decline in foreign trade continued, but at a much lower rate than for other countries:

BRITISH FOREIGN TRADE

(In pounds sterling)

	Feb., 1932	Feb., 1933
Exports	35,464,000	32,400,000
Imports	70,103,000	49,070,000
Excess of imports over exports.....	34,639,000	16,670,000

An imperial committee on economic cooperation within the Empire, which has been sitting in London, has, according to reports, being engaged in vigorous clashes on policy.

DE VALERA'S PROBLEMS

Eamon de Valera has begun his new term as President of the Irish Free State by concentrating his efforts chiefly on the confiscation of the land annuities and the abolition of the

oath of allegiance. J. W. Dulanty, Irish High Commissioner in London, on March 3 informed the British Government that the suspended annuities—£4,660,000 of which has been in default since June, 1932—would be taken out of the suspense account in order "to use them to finance normal exchequer requirements." Presumably, the money would be used chiefly to ease the farmers' debt burdens and to pay bounties so that agricultural goods might surmount the British tariff barrier. J. H. Thomas reported to the British House of Commons on March 7 that £2,123,000 had been collected in duties on Irish imports since July 15, 1932.

The bill to abolish the oath of allegiance went to the Irish Senate at the beginning of March, but the Senators were adamant in opposing its passage without previous negotiation with the United Kingdom. Their opposition was fruitless, however, since because of the general election and re-passage in the Dail, the bill would automatically become law on May 3.

The government's economic difficulties have not lessened. Ambitious plans for the economic self-sufficiency of the Free State have been prepared and will slowly be put into legislative and administrative form, but the effects of the tariff war with Great Britain have been aggravated by the discontinuance of emigration to the United States and the decline in remittances sent by Irish-Americans. To meet the serious plight of the railways, a drastic reduction in the capital structure was proposed along with regulation of motor transport. The continuance of the railway strike in Northern Ireland led to fears of its extension to the Free State, particularly as the wage subsidy to railway workers was to end on April 30.

THE CANADIAN BUDGET

Canadians always make the presentation of the annual Parliamentary budget an occasion for a national

stock-taking and enunciation of policy. E. N. Rhodes, Minister of Finance, made his budget speech on March 21. As it contained some rather contradictory principles and a number of unexpected expedients, it was exposed at once to criticism by both supporters of the government and members of the Opposition, with the result that a week later there were indications of several modifications before the budget would be finally submitted to Parliament.

Mr. Rhodes announced that during 1932-1933 there had been an ordinary deficit of \$53,608,000, a deficit on the Canadian National Railways of \$68,000,000 and "a net special expenditure"—chiefly for various forms of federal aid—of \$38,010,000, making a total deficit of about \$159,000,000. That amount he left unbalanced. He estimated a deficit for 1933-1934 of \$70,000,000, but he proposed to meet it by raising new revenue through increasing the corporation tax, lowering exemptions and raising the rate of the personal income tax, taxing sugar 2 cents a pound and toilet preparations 10 per cent, by a few other special taxes and by some rather intricate devices to tax income from bearer securities and that paid in foreign countries or currencies.

A substantial bonus was proposed on a large group of agricultural exports to Great Britain by setting a value of \$4.60 on the pound sterling and by establishing a fund to pay the exporter the difference between that figure and the prevailing rate. This Mr. Rhodes described as a stabilizing device in times of exchange fluctuation, but it also amounted to a bounty (at prevailing rates) of about 12 per cent. The proposal seems to have been framed as a counter to the exchange depreciation of the other Dominions whose products compete in the British market. There were a few tariff changes, several of them reductions. Mr. Rhodes also planned to cut Parliamentary appropriations by 10 per

cent (about \$14,000,000). A conversion loan was foreshadowed for the Autumn to diminish the debt burden and as part of a broader plan of interest reduction.

In many ways the budget gave the impression of the absence of clear governmental policy. Taxation in Canada through customs, excise, sales taxes, other indirect devices and taxes on income and property has become not only heavy but complex. Many critics felt that the government should make more apparent the incidence of taxation; others believed that taxes on foreign interest would injure national credit, that greater governmental economy was desirable, that the primary producer was being too heavily favored, and that the sugar tax (about 50 per cent) was much too high. Special groups, such as the war veterans, who protested vigorously against the loss of pensions, were granted certain unspecified concessions.

Comment on the government's gesture in favor of reciprocity with the United States died away during the month in the light of Liberal surprise, Conservative uneasiness and the obvious concentration of the United States on its domestic affairs. Apparently the next move for reciprocity and the St. Lawrence waterway must come from Washington. An ingenious proposal illustrative of Quebec opposition to the waterway project was embodied in a provincial bill authorizing the export of 300,000 horsepower of electric current to the United States. In Quebec, which cannot consume its present production of electricity, it was argued that if the United States could buy power it would be less anxious to build the canals.

Various aspects of the wheat problem continued to be debated. The British rulings on grain preference have seriously curtailed the movement of Canadian grain through New York. It was reported that in January about

100,000 bushels had been handled there, as compared with over 1,000,000 bushels in January, 1932. Within Canada there has been a sharp clash over a provision in the revised shipping bill, now awaiting Parliamentary action, which would prohibit the transshipment of Canadian wheat at Buffalo unless it had been carried there from the head of the lakes in Canadian ships. The Winnipeg Grain Exchange, which had seen Canadian exporters victimized by Canadian shipping pools in the past when American vessels were out of the trade, was unanimous in condemning the provision.

Wheat prices have remained low (near futures about 50 cents), but exports continued to be about 60 per cent higher than in 1932. Up to March 17 the total wheat exported for the crop season was 159,000,000 bushels, compared to 98,000,000 bushels last year. Nevertheless, foreign trade for February was only 70 per cent (by value) of February, 1932. There was a favorable balance of about \$3,000,000, and Anglo-Canadian trade maintained its gains. Increased importation of British coal was planned in advance of the opening of the St. Lawrence in April. The Minister of Finance has helped to stimulate British imports by lowering the value of the pound for customs duties from \$4.40 to \$4.25 (it was about \$4.11 on public exchange).

Canada has deservedly received many congratulations, and has congratulated herself, on the stability of Canadian banks as compared with those in the United States. But the government's promise of the decennial revision of the bank act has worried the bankers, who fear the establishment of a central bank which would stand between them and their present almost direct access to the Department of Finance. They have been heartened by the government's dramatic lectures in the House of Commons on the evils of inflation, but there has been searching of hearts

over the obvious necessity for the banks to share the burdens as well as the advantages of lower interest rates.

Industry and business, notably in terms of turn-over, have continued to decline. About 1,360,000 of Canada's population of 10,000,000 were receiving direct relief at the end of February, and the index of employment was still falling. The Canadian Pacific Railway has passed both of its dividends, and a sick newsprint industry has found no prescription for better health. Canada could therefore be counted on to cooperate enthusiastically in any international program for economic recovery.

AUSTRALIA AND NEW ZEALAND

The Commonwealth and State Governments of Australia have been enjoying the conviction that their united efforts to carry out the plans laid down for them by the university and civil service experts have been crowned with success. Debt conversions, economies and financial reforms have put the country on its feet again, and even without any general economic improvement it could manage to get along reasonably well. Great Britain has assisted by continuing the moratorium on war debt payments. The improvement has been reflected in a most spectacular rise of Australian securities in London, despite lowered interest rates.

The Commonwealth government began in March to carry out slowly but systematically the promises of tariff reduction made at Ottawa. Both Australia and New Zealand have been approached by Great Britain for a reduction in the export of dairy products which have so seriously affected British agriculture. Promises of twice the Australian percentages of reduction on British imports from non-Empire countries did not secure the desired concessions. Canada has found that New Zealand butter can easily undersell the Canadian product both in Canada and Great Britain and thus virtually ex-

clude it from the Canadian market. The Canadian bounty on exports to Great Britain referred to above was obviously connected with this situation.

Two Australian States have been wrestling with domestic problems of importance. Western Australia was to conduct a referendum on April 8 on the question of secession from the Commonwealth or the summoning of a convention to secure better terms. As a State whose industries are agricultural and extractive, it has felt itself victimized by the Commonwealth tariff policies. Although the referendum could have no constitutional validity, it might affect the national credit.

The State of New South Wales has been divided over the proposal to reform the upper house of its legislature by fixing its size and choosing the members by a vote of both houses. The purpose is to curb the dominance of the Legislative Assembly over to Legislative Council.

By means of a threat to tax unconverted securities at a higher rate, New Zealand carried out during March the conversion of about £115,000,000 of internal debt to a 20 per cent lower rate of interest, thus saving the Treasury about £570,000 a year. Reduction of interest on external obligations was postponed until the whole internal economic structure could be rehabilitated.

SOUTH AFRICAN COALITION

Although the explosive re-entry of Tielman Roos into South African politics has ended in his retirement to give a coalition of the Nationalists and the South African party a chance, he really attained both his avowed objectives—cessation of party strife and abandonment of the gold standard. The Union Parliament was prorogued on March 2 while General Hertzog (Nationalist) and General Smuts (South African party) explained the proposed coalition to their supporters. For the first time in their

twenty-one years of political life, the old leaders were at peace, and their generous tributes to each other and their appeals for unity made a profound popular impression. On March 28 the membership of the new Cabinet was announced. General Hertzog continued as Prime Minister and General Smuts became Minister of Justice, with the other positions evenly divided between the two parties.

A general election was planned for July with a plea for "a doctor's mandate" to the coalition. Labor has declined to oppose the new government at the polls. Dr. Malan, former Minister of the Interior and leader of the Cape Nationalists, fought the coalition to the end and was not included in the Cabinet. It was felt that he had lost, rather than gained, in electoral support by his attitude, and it was notable that Mr. Fourie, who had also opposed the coalition, had submitted and received the portfolio of Labor.

An interesting sequel to the Ottawa conference has been the closing of the South African trade office in New York and the opening of one in Montreal.

INDIA'S NEW CONSTITUTION

The British Government on March 17 issued a White Paper which contained the new Indian Federal Constitution. It provides the framework for a central government and eleven provincial governments, exclusive of the internal arrangements in the Indian States under their Princes, who rank as allies of the British Crown. The underlying purpose of the new Constitution is to lay the chief burden of domestic administration on the provinces. Though it cannot become effective until the Princes, representing half the population of the Indian States, accept its provisions, and a sound non-political central reserve bank is established, the new governments should begin to function in 1935 provided unexpected obstacles do not arise.

It had been expected that the bitter

opposition of Winston Churchill and from 60 to 100 Conservative members of Parliament might force the government to default on some of its Round-Table pledges. While this did not happen, it led to an unfortunate defensive tone which emphasized the safeguards of the plan, measures which, if harshly exercised, might largely diminish the autonomy conceded under the Constitution. Defense and foreign relations are reserved for British control and the Viceroy is given a number of emergency powers in relation to domestic crises in religion, minorities, currency and justice for Europeans. The whole scheme is designed to insure strong Executive powers.

In spite of Conservative charges, the new plan does not provide for general democracy. The electorate for the Provincial Legislatures numbers 38,000,000 men and women (about 27 per cent of the population), and for the Central Legislature 6,000,000 (about 4 per cent). The upper house (Council of State) of the Central Legislature is to have 100 members appointed by the Princes, 150 indirectly elected by the Provincial Legislatures and 10 appointed members. The lower house (House of Assembly) is to have 125 members appointed by the Princes and 250 directly elected.

As anticipated, the proposed constitution found few whole-hearted friends in either India or Great Britain, except among British Liberals, some of the men who had been associated with Sir John Simon or those deeply implicated in the Round-Table conferences. During the three-day debate in Parliament at the end of March, party lines disappeared, but in general, it was Conservatives who said the scheme meant abdication, Liberals who favored it and Laborites who declared it was generous enough. In India the proposals were almost

unanimously denounced. [For a statement of the Indian case for independence, see the article by D. N. Bannerjea on pages 169-175 of this magazine.] The Nationalists were contemptuous, and even the moderates objected to the two preliminary conditions and the extent of the safeguards. Certainly the ultra-Conservative attack had forced the British Government to give more emphasis to the safeguards than to the self-government which was to be granted. During the Spring and Summer the White Paper is to be discussed by a committee of both houses of Parliament and by an Indian consultative committee preparatory to the drafting of a bill.

It has been impossible to obtain any satisfactory general account of domestic conditions in India. The government has continued to repress all Congress activities. Gandhi—heading the Hindu reformers—and the Orthodox Hindus have continued to differ about admission to the temples of the Untouchables, who are now officially called "the scheduled castes." Government finances were in such good condition that salary cuts were partially restored and over £1,500,000 were applied to debt reduction. Gold exports substantially reduced private debts abroad. Nevertheless, the economic condition of the Indian masses, particularly in agriculture, continued to be a grim battle for existence, with the ubiquitous money-lender snatching what he could. Business in Bengal and in the Bombay Presidency continued to be markedly depressed, and the Indian railways were losing money.

The confusion in Burma over separation from or federation with India has continued almost undiminished. Burmese opinion seemed to incline toward either federation, including the right to secede, or separation on terms of greater autonomy.

France Reduces Her Deficit

By GILBERT CHINARD

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AFTER a most painful wrangle, which at times jeopardized the existence of the French Cabinet, headed by M. Daladier, the Chamber of Deputies and the Senate on March 1 finally agreed upon the new budget which, it is estimated, will effect a saving of about \$200,000,000. The result will be due to reductions in the military appropriations, a 10 per cent increase in the income tax, improved supervision of income tax returns, additional duties on transportation, oils, alcohol and stamps, and finally a cut, varying from 2 to 8 per cent, on all salaries paid by the government or the municipalities. Reluctantly, the members of the two houses accepted a similar reduction of their own allowances.

In spite of the strong protests made by many organizations of civil servants when the finance bill was under discussion and of the threat to declare a general strike in the public services, the law has been accepted without any real manifestation of dissatisfaction. It had, however, an unexpected result in splitting the Socialist party in the Chamber. Refusing to follow their leader, Léon Blum, 104 Socialists voted for the government's project and only twenty-four opposed the bill. It was feared at first that the incident would force an immediate rearrangement of the groups in the Chamber, and that some Deputies listed nominally as Socialists would join the left wing of the Radical-Socialist party, accepting, against the tradition of their party, eventual participation in a new Cabinet. But apparently nothing is to

be decided before the annual meeting of the party which will be held at Avignon late in May. Thus, while the position of the Cabinet of Premier Daladier is still precarious, it seems to be able, for the time being at least, to retain itself at the helm of the French nation.

Pursuing its plan of financial reconstruction, the government followed the budget with a bill which would authorize a consolidation loan of about \$400,000,000. This became law without much discussion. The money is intended to cover the budgetary deficits of the past three years and to permit the financing of several reconstruction plans, such as completion of the fortification system, electrification of the railroads throughout the country, provision of cheap housing and improvement of port facilities. The loan was made especially attractive to subscribers since the bonds, which bear $4\frac{1}{2}$ per cent interest, were issued at $98\frac{1}{2}$. They will be redeemable at semi-annual drawings—at \$60 for each \$40 par value—and are exempt from special taxation. The first instalment of the bonds was placed on the market immediately and was oversubscribed. The Bank of France has authorized the coinage of silver and the new money will be soon in circulation. Despite these financial developments, a disquieting fact is seen in the falling off of public revenue during the month of January; the total amounted to \$129,920,000, but was about \$23,480,000 below the estimates and \$11,920,000 less than in January, 1932.

According to M. François-Albert,

Minister of Labor, the French Government has reached the limit of its capacity for unemployment relief. At least \$40,000,000 has been paid out, and although the number of unemployed shows a slight tendency to decrease, the situation remains critical. According to the official statistics, the number of persons receiving help was 329,856, but these figures represented only the registered unemployed. The real number was probably four times as large. Efforts are being made in some districts, particularly in Northern France, to assist the most destitute people by giving them ten-acre lots equipped with portable houses rent free and the use of some animals—a cow, some pigs or sheep. As the government was contemplating a bill for the encouragement of departmental relief, the proposed public works might provide a certain amount of help. In accordance with this policy it may be noted that financial aid has just been given to the French Line to permit the equipment of the giant ship *Normandie* launched at Saint-Nazaire on Oct. 29, 1932.

A great deal of satisfaction was derived from the marked stability of the franc during the American bank holiday. The effect on the French market was almost negligible. The unofficial rate of the dollar varied from 20 to 24 francs, with promise of further adjustment if the rates improved when the banks reopened. French bankers regarded the American crisis as purely domestic and gratification was expressed when it appeared that inflation would be avoided. Thus, faith in America has not been shaken, and President Roosevelt is one of the most popular men in France at the present day. At a time when dictators rule in Europe in a desperate effort to avoid chaos, many find hope and encouragement in the fact that an energetic leader may restore confidence in the government without a coup d'état and with the consent of the people.

Early in March, it was announced that Philippe Berthelot, General Sec-

retary of the Foreign Office and since 1915 a dominant figure in French foreign affairs, would retire temporarily. He was a close friend and collaborator of Aristide Briand and has been most influential in shaping French foreign policies and in insuring their continuity in spite of ministerial changes. His successor, Alexis Léger, who becomes the highest permanent official of the Quai d'Orsay, may be considered in many respects as a disciple of Briand and may be expected to continue the tradition established by M. Berthelot. Several changes have taken place in the embassies: Charles Corbin, French Ambassador to Brussels, who has attended most of the international conferences during the last ten years, is to succeed M. de Fleuriau in London; Charles Alphand goes from Berne to Moscow to take the place of Count Dejean who is retiring; Paul Claudel is to leave Washington for Brussels, and André Lefebvre de Laboulaye, Assistant Director of Political Affairs in the Foreign Office, will succeed him in Washington. The new Ambassador has previously occupied diplomatic posts in Berlin and Washington and his appointment has been well received by the press of all parties. Further changes in the personnel of the Foreign Office will be made as soon as the Minister, M. Paul-Boncour, completes his plans for the reorganization of the service.

In spite of the official optimism maintained by the government, the French people are visibly uneasy and distracted by recent foreign developments. The Hitler victory shocked them deeply. Even Léon Blum, while declaring that there was no immediate danger of war, took a gloomy view of the situation and could not refrain from expressing some anxiety. The speech of the Chancellor to the Reichstag was received with satisfaction in government circles, and hope was expressed that the responsibilities of power and the advice of the

German Foreign Office would force Herr Hitler to observe a certain restraint. The moment seemed ill-chosen, however, to abandon the present system of alliances in which the French continue to see their main guarantee of security, and to accept the Mussolini four-power peace plan.

In a communiqué given out after a conference between Prime Minister MacDonald and Premier Daladier the French position was clearly indicated. While reaffirming their desire to see peace in Europe established on secure foundations, the French Government maintained that the cooperation between the four great powers must be within the framework of the League of Nations. Under the present circumstances, the French could not consider a proposal which would open the door to the revision of the Versailles treaty without consulting their allies of the Little Entente and Poland. The proposal to grant Germany equality of armaments would meet strong opposition in the French Parliament and among the French people.

Whether their fears are justified or not, the French continue to be apprehensive of a possible war; recent developments have done nothing to reassure them. That there is abhorrence of war and a strong will to peace cannot be denied. The anniversary of the death of Briand was the occasion for many manifestations in Paris and at Cocherel, where the former Prime Minister was buried. M. Paul-Boncour seized the opportunity to declare that France had not departed from Briand's policies and emphasized the firm determination of France to live up to the "compact of the League."

Added to the disquiet caused by the European situation, fear that France might find herself isolated at the World Economic Conference is expressed in some quarters. The interview given by President Roosevelt to M. Claudel at Albany before the inauguration and the attitude attributed to the President by the French press

have revived the belief that it should be possible in the near future to reach an agreement on the debt. It is felt by M. Herriot that, unless the government decides to pay the December installment as soon as possible, France will soon find herself either alone or in a distinctly disadvantageous position. Following the advice given by Ambassador Edge on the eve of his departure from France, a movement was started urging "as an act of good will" the payment of the \$19,261,432 due last December. René Richard, a member of the Chamber of Deputies, had planned to make such a proposal, though the government was not ready to discuss it publicly. At a meeting of the Finance Committee of the Chamber, M. Paul-Boncour opposed the move on the ground that negotiations were going on, and that the attitude of the American Government would soon be ascertained.

BELGIAN WAR FEARS

Belgium, like France, is fearful of foreign aggression. War Minister de Vèze has outlined a building program for fortifying the Eastern frontier on which about \$5,000,000 has already been spent. Further work will be financed by a \$2,000,000 loan. It is estimated that this undertaking will provide work for a large number of the unemployed. The government has taken steps to forbid the sale of war masks which were advertised in many stores with exhibits intended to demonstrate the dangers of gas attacks.

All negotiations for a new Dutch-Belgian treaty were at a standstill until after the Dutch Parliamentary elections on April 26. In the meantime economic difficulties continue. The Antwerp diamond cutters preferred to be locked out rather than accept a reduction of wages. The Belgian horticulturists, who before the war had almost a monopoly of early vegetables, hot-house grapes and bulbs, are suffering from the restrictions established by the United States, Great Britain, Germany and France.

The Hitler Dictatorship

By SIDNEY B. FAY

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THE Hitler-von Papen Cabinet, representing the Nazi-Nationalist coalition, on March 5 won an unprecedented victory in the Reichstag election, securing about 52 per cent of the total popular vote of more than 39,000,000 and a similar proportion of seats in the Reichstag, thus giving the combined Nazis and Nationalists a clear majority.

The victory was undoubtedly due in part to the government's strong-arm methods before the election—its monopoly of the radio for campaign speeches, its suppression of opposition newspapers and electioneering meetings and its creation of a wave of hysteria, as a result of the burning of the Reichstag building, to the effect that Germany was in danger from a great Communist and Socialist plot. But it was nevertheless a legal victory, won under constitutional forms. It opened the way either for moderation, now that Hitler has finally achieved the Chancellorship and a parliamentary majority, or for measures increasing Nazi power still further in the direction of a dictatorship.

The possibilities were well summed up by an earnest editorial in the *Frankfurter Zeitung*, a very widely read and influential liberal paper controlled by Jews. This paper declared after the election:

"The question which the government put to the people in this election has received an unequivocal answer: the Cabinet of national concentration has received a vote of confidence. Chancellor Hitler is entitled to give credit for this essentially to the party he has created. The tactics employed

by National Socialism have borne fruit; the movement has won power in a legal, democratic way. And the great success of its propaganda would indeed have been impossible but for the psychological insight behind it.

"Yet in dwelling upon the most human aspect of the National Socialist movement it must be stated in the same breath that the human longing behind it has suffered horrible distortion through the sentiment of hate evoked through these millions. It is impossible to forget that National Socialism owes much of its success to its anti-Semitism. Race hatred is an old instrument of political tactics; it is, none the less, doubtful whether it is a good instrument. Almost all of what the National Socialist press offered in the past gives rise to the question whether anti-Semitism, questionable in itself, has not been used in Germany to divert the masses from thinking."

Suggesting that it was now the duty of the National Socialist leaders to call off this propaganda, the *Frankfurter Zeitung* continued: "National Socialism can now afford to change the methods of its struggle for power. There is no sense in keeping up longer the fiction that the enemies of the National Socialist party are the enemies of Germany. This applies also to the Centrists and the Socialists."

These counsels of moderation were not followed. On the contrary, the next weeks witnessed a series of measures which virtually meant the scrapping of the Weimar republican Constitution and its replacement by a Hitler dictatorship. They also wit-

nessed the most violent outbreak of anti-Semitism and the most violent consequent protest from Jews of other lands which the world has seen since the Dreyfus case in France and the pre-war pogroms in Russia. (See the article "Germany's Anti-Jewish Campaign," on pages 137-140 of this magazine.)

On March 12, the German Memorial Day, on which the country mourns its war dead, the republican flag—black-red-gold—the flag of the liberal students who had fought to overthrow Napoleonic oppression, the flag of the liberals of 1848 who had worked for German unity and constitutional liberty, was hauled down. President von Hindenburg decreed that henceforth the colors that should fly upon all public buildings should be the former imperial black-white-red ensign and the Nazi swastika—the hooked cross—side by side. "These flags," he said, "unite the glorious past of the German Reich and the puissant rebirth of the German nation. Unitedly they shall embody the power of the State and the imminent interconnection of all the national sections of the German people."

The extension of the control by the federal government over the State governments, which was inaugurated by von Papen's appointment as federal commissioner last year, was pushed energetically forward by Hitler. Even Bavaria, which had long been most tenacious of its "State's rights," and most opposed to Prussian domination, was forced to yield on March 9. Dr. Heinrich Held, the Bavarian Catholic Premier, was presented with an ultimatum demanding the immediate appointment of a new Bavarian Cabinet, which should represent the Nazi majority won in the election. While he was considering with the Cabinet how the ultimatum should be answered, the Ministerial building was closed by Nazi storm troopers, and it was announced that General Franz Ritter von Epp, Nazi

Deputy in the Reichstag, had been appointed by the Hitler Cabinet as Police Commissioner for Bavaria. This placed the Nazis in practical control of Bavaria, and broke down the last remaining stronghold against them.

Bavaria's swift and peaceful capitulation meant that at last all the seventeen German States were under the effective control of the Nazis and the federal government from their centre in Berlin. Prussia is ruled by Reich commissioners and by Goering, the Nazis' most militant sub-chieftain, as Prussian Minister of the Interior in charge of the Prussian police. Bavaria, Württemberg, Saxony, Baden, Hesse, Schaumburg-Lippe and Bremen are controlled through Nazi police commissioners. The remaining nine States have either purely Nazi governments or coalition governments dominated by Nazis.

The policy of completely crushing the Communists throughout the Reich was continued by arresting several thousand of their leaders and more influential members. Probably more than 5,000 were thrown into prison and kept for weeks without being allowed to see their families. Karl Liebknecht House, the former Communist headquarters in Berlin, seized by Goering's police, was renamed Horst Wessel House and converted into a Nazi police headquarters. Wessel, a young Nazi, had become a hero because of his death in a street fight with Communists. It was also announced that the Communists recently elected to the Reichstag, being in prison, would not be allowed to take their seats when the Reichstag convened.

In the municipal and communal elections in the State of Prussia on March 12 the Nazis also won sweeping victories similar to their triumph in the Reichstag elections the week before. This meant that some 200,000 minor officeholders, formerly largely Social Democrats or Communists, would be replaced by Nazis or by Na-

tionalists, mainly the former. It further emphasized the Nazi leader's adoption of the policy, one long familiar in the United States but hitherto one which happily had been relatively little practiced in Germany—the policy that to the victor belong the political spoils.

The Hitler government's success in the Prussian elections also resulted automatically in the removal of Dr. Konrad Adenauer, a Centrist, from the so-called triumvirate consisting of the Prussian Premier, the President of the Prussian Diet and the President of the Prussian State Council. This put all three offices under the control of the Nazi-Nationalist coalition, though the office of Prussian Premier was not filled at the opening session of the Prussian Diet on March 21. The reason for this was said to be a difference of opinion within the coalition, the Nazis wanting the Premiership for Hermann Goering, and the Nationalists claiming it for former Chancellor von Papen.

The newly-elected Reichstag held its first ceremonial meeting in the Garrison Church at Potsdam, since the Reichstag Building was not available on account of the recent fire. The republican Constitution of 1919 was drawn up by a convention sitting at Weimar, a small German capital and centre of culture, associated with the names of Goethe and Schiller, and well removed from the possible pressure of mob influence or of the Hohenzollern Castle of Berlin. For the meeting of the new Reichstag, which was expected virtually to scrap the republican Constitution, at least for a period of four years, Potsdam was chosen. Potsdam, in contrast to Weimar, symbolized the essence of the old Prussian spirit as typified by Frederick the Great.

Standing in the chancel of the old Garrison Church, President von Hindenburg welcomed the Deputies with the following words: "The place where we are assembled today ad-

monishes us to look back at the old Prussia, which in fear of God attained greatness through faithful labor, never-failing courage and devoted patriotism, and on this foundation united the German peoples. May the old spirit of this glory-hallowed site also imbue the present generation! May it free us from self-seeking and party squabbles and join us in national solidarity and spiritual regeneration for the benediction of a free and proud Germany united within itself!"

Chancellor Hitler followed with a speech in which he dwelt upon the familiar theme of the decay of Germany during the fourteen years of the rule of the Centrist-Socialist Weimar coalition. He repudiated the charge of Germany's guilt for the World War. He appealed for unity in support of the new government represented by himself, saying: "We shall honestly strive to unite all of good-will and we shall render harmless those who would harm the nation. We want to fashion the peasants, burghers and workers of all classes and occupations into a genuine commonwealth in which the different interests shall be equalized as the nation's future demands. To the outside world, weighing our one-time sacrifices of war, we want to be sincere friends of peace, which at last shall heal the wounds from which we are all suffering." Then stepping solemnly and dramatically aside Hitler deposited a wreath on the tomb of Frederick the Great.

This first session was made up mainly of Nazi, Nationalist and Centrist Deputies; the Communists were excluded by being kept in prison and the Social Democrats absented themselves, many of their members also being in prison or having sought safety abroad. But at the first regular business meeting of the Reichstag, held in Kroll's Opera House across the square from the old Reichstag Building, Social Democrats were present. The Reichstag proceeded quickly and quietly to choose its officers, and then, on March 23, enacted five sweep-

ing articles, which virtually gave Hitler dictatorial power for a period of four years—until April 1, 1937—as follows:

"Article 1. Federal laws may be enacted by the government [i. e., by the Cabinet] outside the procedure provided in the Constitution, including Article 85 (providing that the budget must be adopted by legislative act), and Article 87 (providing for legislative action to authorize the government to make loans and credits).

"Article 2. The laws decreed by the government may deviate from the Constitution so far as they do not deal with the institutions of the Reichstag and the Federal Council as such. The prerogatives of the President must remain untouched.

"Article 3. The laws decreed by the government are to be drafted by the Chancellor and announced in the *Official Gazette*. If not otherwise ordered, they shall become effective the day following announcement. Articles 48-72 of the Constitution (regulating the announcement and publication of laws) do not apply to laws decreed by the government.

"Article 4. For treaties of the Reich with foreign nations regarding matters of the Reich's legislative authority the consent of legislative bodies is not needed so long as this act is in force. The government shall issue decrees necessary for the enforcing of these treaties.

"Article 5. This law shall become effective on the day it is announced. It shall remain in effect until April 1, 1937. It shall expire when the present government is replaced by another one."

The effect of these five articles is to confer on the National Government, that is, on Hitler as Chancellor and his Cabinet, a blanket power of attorney for the German people. The frame-work of the old Constitution is not destroyed; the machinery is merely set aside and is not to function for the four years that Hitler exercises

dictatorial power, if he continues for that long in office. If his Cabinet should be replaced by another one, the old Republican machinery is there to be called back into operation again.

Though Article 2 states that the prerogatives of the President must remain untouched, he is really relegated to the background. He can no longer veto a bill or appeal in a referendum to the people. His signature is no longer required to laws, which are to be drafted and promulgated by the Chancellor. Whether he might still dismiss the Chancellor is not clear.

As the Chancellor is charged with forming his Cabinet, subject to the President's approval, it is presumed that Hitler could force out his Nationalist colleagues who now share the power with him. Von Papen, Hugenberg, and the other Nationalist or non-partisan Ministers, who at first were expected to hold Hitler in check, could presumably be thrown aside and replaced by his own Nazi followers.

The so-called fundamental citizens' rights guaranteed by the Weimar Constitution—equality before the law, personal liberty, freedom of meeting and of speech, the inviolability of home and property, and so forth—are now virtually suspended, inasmuch as the government is empowered to decree laws "deviating from the Constitution." Under this proviso, for example, it would be possible for the Hitler government to give a special status to such German citizens as were deemed unfit and undesirable for admission to full citizenship, according to Nazi tenets.

To sum up, there is nothing the government cannot do under these articles except that it must not diminish the remaining rights of the President and must not abolish the Reichstag and Reichsrat as "institutions." This seems to mean that there is no intention of any restoration of the monarchy.

The five articles granting dictatorial powers were rushed through the

three necessary readings at one session of the Reichstag, and passed by a vote of 441 to 94. This was considerably more than the two-thirds majority required by the Constitution for amendments. The Centrists, apparently seeing the futility of opposition, voted for them with complete docility. The Social Democrats opposed the granting of dictatorial power with 94 of their 120 votes, about a dozen of their Deputies still being in jail as political prisoners and the rest being absent.

Even before being given dictatorial powers, Hitler brought about changes in several important positions. Dr. Hans Luther, who became President of the Reichsbank in 1930, concluded after several talks with Hitler that he could not cooperate heartily in all the Chancellor's plans. Therefore, in order not to create friction between the bank and the government, he resigned from the Reichsbank on March 16. It was announced that he would be appointed German Ambassador at Washington in place of Baron von Prittwitz.

The appointment of Dr. Hjalmar Schacht as President of the Reichsbank in place of Dr. Luther brought back into active political life one of the shrewdest and ablest of Germany's financiers. Though regarded as less conservative than Luther, Schacht has had very wide financial experience. He came into prominence in the Fall of 1923, when, as special currency commissioner, he was entrusted with the almost hopeless task of stabilizing the frightfully depreciated German paper mark. He did it by introducing the so-called rentenmark, which paved the way for the regular full-value paper mark which was adopted a few months later after the adoption of the Dawes Plan.

Schacht then became President of the Reichsbank for several years, and helped work out the Young Plan in its original form. But he refused to accept it with the modifications prejudicial to Germany adopted at the

Hague conferences in the Winter of 1929-30, and consequently resigned from the presidency of the Reichsbank at that time. Later he spoke at the Harzburg coalition meeting of the Nazis and Nationalists and appeared to have identified himself with their cause. It was therefore not unnatural that he should be rewarded by being restored to his old place.

Another significant new official appointment was that of Dr. Paul Joseph Goebbels as head of the Reich's newly created Ministry of Propaganda and Popular Enlightenment. Called from the Rhine region several years ago to organize and head the Nazi movement in Berlin, he contributed not a little to the upbuilding of the Hitlerite power in Prussia. His work as a propagandist, based in large part on an appeal to anti-Semitism, he has described in his interestingly written book, *Kampf um Berlin* ("Struggle for Berlin," 1932).

Dr. Goebbels conceives it to be his task to make all the peoples of Germany see the righteousness of the Hitler cause and therefore to support it, and also to make the outside world understand the nature of the recent "National Revolution." Talking to newspaper men after his appointment, he said: "Naturally you newspaper men will receive information from my Ministry, but you also will receive instructions. You are to know not only what is happening; you are to know what the government thinks about it, and how you can most appropriately elucidate it to the people." In later warnings to the foreign newspaper correspondents against disseminating false news or news prejudicial to Germany, that is, to the Nazi cause, and in threatening their expulsion and exclusion of their papers, he made it clear that his Ministry might be likely to function somewhat like a censorship bureau—with all the disadvantages which such a censorship inevitably entails upon a country, at least as far as foreign public opinion is concerned.

The Remaking of Spain

By WILLIAM E. LINGELBACH

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THE Spanish Government during March continued the work of reorganizing the State, despite the filibustering tactics of the opposition in the Cortes. At times the intense feeling reached a climax, as in the case of the non-confidence vote over the Casas Viejas incident in January, and again in the session of March 16, when Premier Azaña requested the support of the Cortes for the suppression of the dangerous elements seeking the destruction of the republic. He was sustained by a vote of 210 to 1, but the opposition deputies left the hall in a body by way of protest, before the vote was taken.

A more vigorous policy of repression is demanded for numerous reasons. Among them are the continued activities of the Syndicalists on the one hand, and the threats of the Royalist and Fascist organizations on the other. To these are added the illegal land seizures by the peasantry, the prolonged strike of the furniture workers and the chronic disturbances in Barcelona, where sporadic raids on stores led to the closing of about 2,000 tobacco shops by the proprietors, because of the lawlessness which the police seemed unable to stop.

The action of the police in the Casas Viejas affair during the Anarchist-Syndicalist uprising in the Province of Cadiz in January when twenty Anarchists, including their leader, "Six Fingers," were killed in cold blood, caused the government much annoyance. The opposition parties in the Cortes seized on the incident to expose what they called the inhuman methods of the Ministry. Eduardo Ortega

y Gasset, a radical Socialist member, threw the assembly into an uproar by reading the depositions of the captains of the shock troops to the effect that orders were given to take no prisoners. In the face of the report of a parliamentary investigation the Premier, who had asked for time to look into the matter, frankly acknowledged that, contrary to the first reports, investigations by the Department of Justice showed that the troops had been unnecessarily severe. Chief of Police Menendez was forced to resign and was subsequently placed under arrest despite his services to the republic in suppressing the Royalist uprising last August.

In general, however, sentiment was strongly in favor of vigorous measures against the constant acts of lawlessness; the government press demanded the "mailed fist" against the "hordes of Communists and Anarchists" who continue to disturb the peace of the country and threaten to upset the republic. Some journals urged the assumption of dictatorial powers, while others, like the Catholic organ *El Debate*, called upon Azaña to make way for a semi-dictatorship. *La Voz* disapproved the talk of a dictatorship but insisted that "the Communists and Syndicalists must be crushed."

Acts of violence and bombings on a small scale occurred almost daily in connection with the strike of the furniture workers, which began in November last and was only partly ended in the last week of February, when more than half the men returned to work. One of the major issues in this case was the demand for fewer holi-

days (*fiestas*). The employers were asked to furnish the tools, agree to a forty-four-hour week and only one holiday a year—May 1, Labor Day. They agreed to the first, compromised on the second but refused the last as contrary to Spanish custom, it being inconceivable that Christmas, the new year and the anniversary of independence should not be celebrated. Behind this phase of the dispute there is a more practical question of wages, for many of the workers are paid by the month. Perhaps if all employees were paid by the day the excessive number of holidays would quickly be reduced without further effort. In Barcelona sporadic outbreaks showed that labor discontent was by no means at an end. Late in March the manager of the Motor Transport Company and the owner of a furniture shop were shot as a preliminary to the attack of armed bands upon two of the larger cabinet shops. All the furniture was wrecked and the proprietors forced to sign a working agreement.

Anti-Fascist and anti-Hitler demonstrations also occurred in the principal cities during the month. In Barcelona Communists tried to interfere with members of the German colony as they were going to a German steamer to vote in the Reich elections of March 5. In Madrid large protesting groups of students and workmen caused disturbances before the Italian and German Embassies.

Considerable criticism of the government's bill regulating the religious orders developed in the Cortes early in the month. Summing up the debate, Alvaro de Albornoz, the Minister of Justice, again urged that the measure was not dictated by anti-clerical agitation, but represented an honest effort on the part of the government to carry out the provisions of the Constitution which forbid secular teaching by the religious orders and the mixing of politics with religion. For the present, however, many schools of the religious orders are necessary because of the government's inability to

find secular teachers. The Ministry of Education reported that 248,338 pupils still attend Catholic schools throughout the nation—25,556 in Madrid alone.

According to an announcement in the *Official Gazette* of March 15, the government has established a Council of Cinematography under the supervision of the Ministry of Agriculture and Commerce. It will have complete charge of the distribution of motion pictures, both domestic and foreign.

While agrarian reforms are progressing slowly and the impatience of the peasants is leading to illegal land seizures, the Marquis Sanchez Dalp of Seville has made a remarkable gift of his 10,000-acre model farm on the banks of the Guadalquivir to the government, to be used by the Institute of Agrarian Reform. For forty years the Marquis has been improving his lands along scientific lines. There are fifty-six miles of road, over 200,000 olive trees and many olive oil factories.

The board of directors of the Bank of Spain, alarmed at the situation in the United States, took definite action on March 10 to prevent violent fluctuations of the peseta. This temporarily interrupted speculation, though the International Banking Corporation continued its offer to buy American currency at the rate of 10 pesetas per dollar. In general, the Spanish press was pessimistic over the American financial outlook.

The number of foreigners working in Spain was officially established late in February by an investigation under the decree compelling all foreigners working in Spain to register. The result showed that there are 18,240 foreigners engaged in gainful employment; the most numerous are the Germans with 4,645; Frenchmen come next with 2,894. Of the remainder 2,729 are Portuguese, 1,978 British, 1,294 Swiss, 1,199 Italians, 251 Cubans, 176 Americans, 70 Brazilians, 58 Mexicans, 25 Filipinos and 8 Canadians.

ITALIAN FOREIGN POLICY

Premier Mussolini again stressed the essentially peaceful character of Italian foreign policy when on March 10 the Fascist Grand Council issued a formal declaration stressing three major points. The first reiterates the declaration that "the Italian people are guided in their foreign policy by the firm intention not to disturb the peace and to collaborate in every way possible in the political, economic and moral reconstruction of Europe." The second issues a warning that unless the Italian proposals made by Dino Grandi at Geneva several months ago are accepted the disarmament conference is doomed to failure. The third refers with satisfaction to the growth of Fascism in other countries, and urges all Fascists to work resolutely for the spread of Fascism throughout the world. This propagandist note on the spread of Fascist ideals abroad marks a distinct departure from the policy pursued during the first decade of Fascist rule.

In harmony with the declaration of peaceful intentions and of collaboration, Mussolini hailed with much enthusiasm the visit of Ramsay MacDonald, and with his assistance put forward a pact which has been recognized as the Duce's peace plan. As it encountered the determined opposition of the Little Entente and found a lukewarm reception in France, it has not contributed to allay friction between France and Italy. In the meantime Italy seemed to be in doubt as to the reception that should be accorded the rise of the National Socialists to power in Germany. Even the Fascists are divided on the question whether Hitler and his Nazis are respectable and safe.

Lowering the bars of admission to the Fascist organization, which had been kept rather high until recently, has resulted in over 600,000 applications to join the party. After careful examination about 200,000 were admitted. Since public office is entirely through the ranks of the Fascist

party, and since the government controls more and more of the economic life of the nation, public contracts, preferments and the like, membership in the party is obviously becoming as much a matter of economic opportunity as of patriotic and political activity. Whether the newcomers will find themselves on the same basis as the older Fascisti remains to be seen.

Giuseppe Toeplitz, managing director since 1904 of the Banca Commerciale Italiana, Italy's principal bank, on March 8 resigned, as he said, to occupy the less active position of vice president. In the meantime the directors of the bank recommended that two directors, Michelangelo Facconi and Raffali Matteoli, be appointed to act together in place of Toeplitz. Simultaneously it was announced that the twenty-five members of the board of directors would also resign on March 25 to make room for the appointment of a board of eleven. When the Banca Commerciale found itself in distress early in the economic depression Mussolini went to its rescue with the full resources of the State. The bank's securities were segregated, the government buying the industrials. The creation of a smaller board of directors is in accord with the Duce's idea to concentrate responsibility in finance as in politics.

Italian trade figures indicate a healthy condition notwithstanding the change to a more unfavorable trade balance. The larger imports were interpreted by the *Bulletin of Economic News* as indicating an increase in the imports of raw material to meet the needs of greater industrial activity.

News of Italian conditions, according to Herbert L. Matthews in a recent dispatch to *The New York Times*, is dependent upon its very able handling for foreign consumption by the Press Office of the Ministry of Foreign Affairs. The crude censorship present in many countries, it is pointed out, does not exist in Italy. On the other hand, while news is not "censored," it is "controlled" in many

ways. Not only are all direct sources of news usually given to the press in the form of "hand-outs," but correspondents of the foreign press are naturally dominated to a large degree by the Foreign Office. Through its meticulous vigilance over all news items on Italian affairs in the foreign press, the government is always well informed as to what is reported and published abroad. Unfavorable news is apt to have a serious effect not only on the correspondent's own usefulness to his paper, but upon the correspondent's Italian informant, no matter how high up in the service he may be. Furthermore, before news gets out of Italy, even by wireless, it is subject to revision, or may be actually suppressed at the radio and telegraph office. That this comes pretty close to censorship is clear. "But why not?" ask the Fascisti. "We are working out a great experiment with 42,000,000 lives and we do not wish to be misrepresented abroad, hence 'everything for the State; nothing outside the State' goes for you as well as for us."

In the Vatican State there was great activity during March in preparation for the beginning of the Holy Year on April 1. In his allocution, delivered before the Cardinals in the secret consistory on March 13, Pope Pius reviewed the work of the church and the state of Christianity throughout the world. He lamented the disquieting conditions in international affairs and the unhappy state of religion in Russia, Mexico and Spain; severely criticized King Boris of Bulgaria for what he termed his breach of faith and solemn pledge; urged the faithful to combat Protestant proselyting and condemned the practice of making profits out of wars, announced the appointment of six new Cardinals, confirmed the election of the Patriarch of Armenia and the selection of the Patriarch of the Maronite Church in Antioch. He bestowed authority to grant indulgences on the Legates of the Holy

See with the promise of "a more abundant bestowal of the spiritual treasure of the church" to be symbolized in the opening by the Pontiff of the "holy doors of the Vatican basilica and of the other patriarchal basilicas on April 1 to inaugurate the Holy Year." The conferring of six Cardinals' red hats in the colorful ceremonies in the consistory on March 16 raised the number of the Sacred College to fifty-eight, thirty of whom are Italian and twenty-eight foreign.

PORTUGUESE CONSTITUTION

Portugal voted upon the new Constitution on March 19. Although official returns were not to be given out until April 9, the press announced that about 60 per cent of the eligible electorate voted "Yes" as against 5 per cent in the negative. The absence of so large a percentage of the voters and certain other aspects of the poll are explained by the fact that President Carmona, the dictator, met the threats of the Opposition that they would abstain from voting, by a decree providing that all persons on the eligible list who remained away would be counted as voting for the Constitution. Nevertheless, in this first opportunity in seven years to express itself, the nation manifestly endorsed the program of the government, a program all the more remarkable in these days, because it represents a dictator asking for less power. Under the new Constitution, the President is elected by the people. He chooses and dismisses his own Cabinet, which is responsible to him and not to the Legislature. The second highest officer in the State is the Prime Minister, who presides over the Cabinet. The Legislature consists of a single chamber of ninety Deputies, of whom forty-five are elected and forty-five appointed by local bodies. The franchise is exercised by the persons responsible for the family, regardless of sex. The Assembly meets for three months each year and enacts the laws which are, however, subject to review.

Like all post-war Constitutions that of Portugal stresses the economic and social life of the people, and emphasizes humanitarian ideals. In international affairs preference is to be given in all disputes to settlement by arbitration. The same principle applies to disputes between labor and capital which must be settled by consultation and arbitration. All strikes and lock-outs are declared illegal, and the continuance of employment during the adjudication of a dispute is a definite obligation upon both parties.

Since the revolution in October, 1910, which overthrew Manuel II and the House of Braganza-Coburg, Por-

tugal has been a republic. Badly misgoverned under the Constitution adopted in August, 1911, the financial mismanagement reached a point at which the escudo declined almost to the vanishing point. Amid the continued anarchy and disorder, General Oscar D. Tragos Carmona, a cavalry officer, seized control in 1926, dissolved Parliament and with the cooperation of the Prime Minister, Dr. Antonio de Oliveira, Professor of Economics at the University of Coimbra, improved conditions slowly but so effectively that, considering her resources, Portugal is now one of the most prosperous countries in Europe.

Poland's New Foreign Policy

By FREDERIC A. OGG

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EARLY in March a reorientation of Polish foreign policy was revealed to Europe in statements by Colonel Joseph Beck, the new Foreign Minister, and Prince Radziwill, chairman of the Foreign Relations Committee of the Sejm and leader of the government bloc. For years the basis of that policy has been a firm alliance with France. While there is no apparent intention to sever this connection, leaders like Colonel Beck and Prince Radziwill believe that the world has too long treated Poland as a satellite of France in major international matters. Poland must, they insist, emancipate herself from this subordination and give the nations to understand that as one of the larger and more populous countries of Europe she is prepared to stand on her own feet and speak with her own voice. Nor is the new attitude merely a matter of principle or theory. Not only at the Disarmament Conference,

where the Polish delegate openly opposed the French plan, but on other recent occasions Warsaw has taken an independent course such as even a year or two ago would have been inconceivable.

As an offset to this tendency, however, is the new-born fear of Germany and Italy, which at the end of March seemed likely to turn Warsaw to a rapprochement with the Little Entente, thus keeping the Poles within the French orbit. This most recent attitude was plainly inspired by the proposals put forth by Prime Minister MacDonald and Premier Mussolini after their meeting at Rome—plans which led both Poland and the Little Entente countries to believe that they were confronted by the menace of Italo-German hegemony in Europe which would enjoy British approval. Much significance was therefore attached to a proposed visit by Foreign Minister Beck to Prague and Belgrade

in early April. Both Poland, which owes its renaissance as a State to the Treaty of Versailles, and the Little Entente nations, two of which came into being and the third of which received important territorial accretions under the treaties of St. Germain, Trianon and Rapallo, regard Premier Mussolini's revisionist program as a menace to their territorial integrity.

During the second week of March the Danzig question again became dangerous but was solved by the intervention of the League of Nations, which thereby won a triumph tending to strengthen its sorely tested authority. Trouble arose from the violation of existing agreements through the landing of additional marines at the Polish ammunition depot on the Westerplatte peninsula, within Danzig Harbor. The indignation of the German population of the city reached so high a pitch that the Senate was compelled to mobilize a citizens' guard to reinforce the activities of the local police in preventing an armed outbreak. The recent rise to power in Germany of a Nazi government which in the election campaign had consistently emphasized that the German East was especially close to its heart made the situation seem especially inflammable. The German Government, however, maintained the traditional reserved attitude of Berlin on the Danzig problem, and thus the League had a better opportunity to effect a pacific adjustment.

A settlement was reached at Geneva with unexpected promptness on March 14. The Warsaw Government, urged by Great Britain and France to swallow its pride and admit its mistake, straightforwardly confessed, through Foreign Minister Beck, in a specially convoked meeting of the League Council that the reinforcement of the guard at the munitions depot without consent of the League's High Commissioner was "not in conformity with the treaties"; and, assurance having been given by the President of the

Danzig Senate that measures would be taken to guarantee full protection for the Polish post in the Westerplatte, immediate and unconditional withdrawal of the extra troops was agreed to. Dr. von Keller, the German Council member, eased his feelings by saying a good word for everybody involved except Poland; Joseph Paul-Boncour, the French Foreign Minister, heaped encomiums on Colonel Beck for his conciliatory spirit, and the incident, which for a time caused nervousness in capitals as distant as Washington, passed into history.

To redress an unfavorable balance of trade, the Warsaw Government on March 22 prohibited the importation of certain classes of goods into Poland between March 24 and Oct. 11 except under permits from the Ministry of Commerce, to be issued only in case compensatory purchases are to be made. American goods affected include leather, motor trucks, automobile parts, tires, typewriters and rubber articles. It was pointed out that American exports to Poland total \$20,000,000 annually and imports from Poland only \$1,500,000.

CENTRAL EUROPEAN TENSION

Premier Benes of Czechoslovakia has characterized as "idiocy" the charges current in Hungary that his country, actuated by the philosophy of the new Little Entente pact, would, in the event of a Russo-Rumanian conflict, occupy Hungary. He also scouted the idea that a secret military agreement exists between Germany, Italy and Hungary and professed to consider such a compact, even if it existed, as unimportant. When asked during a meeting of the Parliamentary military committee on March 15 whether "in view of the uncertain situation abroad," the Czechoslovak Army was ready for action, Defense Minister Bradac replied that he had "full confidence in the army's power of resistance."

A speech by ex-Premier Bethlen of

Hungary, delivered on March 8 before the Kulturbund of Berlin, created an unfavorable impression in Czechoslovakia and other Slav, or partly Slav, countries. In the course of his address the speaker declared that Germany, Italy and Hungary had a common interest in preventing the northern and southern Slavs from uniting; he also referred scornfully to the régime of the peace treaties as a "rotting status quo" which cannot be maintained. Foreign Minister De Kanya declared on March 22 to both Parliament and foreign correspondents that the new pact of the Little Entente had been "expected for some time," and that Hungary, while not pleased by it, was not disturbed either.

Statements by leading Hungarian officials, including Finance Minister Bela Imredy, indicated early in March that unless enlarged markets were opened soon for Hungarian products the Budapest Government would be compelled to declare an all-round moratorium on foreign debts, even payment in pengoes—except possibly in the case of the League of Nations loan. Despite successes in recent by-elections, the Goemboes Cabinet has encountered grave difficulties, and doubt grows whether it will be able, by means of its projected economies and taxation, to lead the country out of its troubles. Under a moratorium of Dec. 23, 1931, American dollar bonds of the Hungarian Government, municipalities, banks and industrial corporations totaling \$68,652,700 are now in default.

With galleries crowded, and with every Deputy rising to his feet to mark the solemnity of the occasion, the Yugoslav Skupshtina, on March 1, ratified the Little Entente pact drafted at Geneva during the previous month. As the Rumanian Foreign Minister Titulescu subsequently assured his own Parliament, Foreign Minister Jevtich asserted that no secret military clauses had been added to the military understanding already existing under the pact of 1921-22. The

Little Entente, he further observed, has no warlike aspirations, realizing as it does not only that nothing could be gained from war but that civilization could "not outlast another world war into which any local conflict must necessarily develop."

Despite the pacific tone of such official declarations, nervousness over the possibility of war, especially with Italy, has prevailed throughout Yugoslavia in recent weeks. The budget debates in the middle of March reflected it; even the more sober section of the press has been similarly affected. Knowing that persistent effort is being made by Italian propagandists to convince the Italian people that Dalmatia is rightfully theirs, the Yugoslavs have particularly feared an attempt upon that region. While Yugoslav police in the Biograd and other Dalmatian districts in the neighborhood of Zara were confiscating, about the middle of March, large quantities of weapons said to have been smuggled from Italy with a view to securing the independence of Croatia and Dalmatia, the Premier was assuring the Belgrade Parliament that in the event of national danger the Croats and other Opposition elements could be depended upon to prove themselves good patriots.

BULGAR-YUGOSLAV RELATIONS

Although some authorities believe that eventually Bulgaria and Yugoslavia will be joined in a single State, the unfriendly relations between the two, which have existed since the last Balkan war, have been particularly strained during the past few months. To protests lodged by the Foreign Minister of Yugoslavia against raids across the Yugoslav border by Moldavian revolutionaries from Bulgaria, Premier Muschanov replied on March 20 that measures would be taken to put an end to such activities. Other sources of friction, however, remain. At the end of February a Macedonian congress meeting at Gorna Jumaja, Bulgaria, declared open war on Yugo-

slavia—an act which brought forth a vigorous protest from the Belgrade Government. Sofia's reply was non-committal. Further ill-will has been engendered by the action of a Sofia court in letting off with a mere fine of \$50 a former non-commissioned officer of the Bulgarian Army, Todor Petrov, who last October shot dead a Yugoslav subject named Vidin Mitev. Nationalist demonstrations in Sofia on the occasion of the return early in March of certain émigré Ministers in the Agrarian government of Stambulisky, who are still accused of having been in Yugoslav pay, did nothing to promote friendly relations. Since no one expects the Sofia Government, however hard it may try, to be able to restrain Macedonian raiding across the Yugoslav frontier, it is feared that the outcome may be a decree from Belgrade sealing the borders and extreme demands—even for permission to send a Yugoslav army into Bulgaria to suppress the Macedonian movement—that might provoke war.

Premier Muschanov on March 23 announced that the Bulgarian Government was planning "new and severe measures" against communism because of recently renewed Communist propaganda, especially in schools and military garrisons. The first step was to be an inquiry into the activities of the Workers' party, a Communist organization, with a view to its suppression by decree if the government's suspicions proved well founded.

At a consistory held on March 13, Pope Pius XI took occasion to deplore the recent baptism of the infant daughter of King Boris and Queen Joanna in a non-Catholic faith, but exonerated the Queen in view of her protests that she had given the proceeding neither express nor tacit consent.

GREEK COUP D'ETAT FAILS

Europe has had many dictatorships in the past dozen years, but none, before a recent episode in Greece, which

lasted for so brief a period as fourteen hours. The flurry at Athens developed directly out of the Parliamentary elections of March 5. A lively three-week campaign resolved itself into a contest between a six-party government coalition led by the veteran Premier Venizelos and a three-party Opposition bloc headed by the Monarchist Panayoti Tsaldaris. Contrary to expectation, the Opposition gained a majority—135 of the 248 seats—the outcome being influenced by discontent with existing economic conditions. As many as five members of the Venizelist Cabinet went down in defeat.

As soon as the results were known, General Nicolas Plastiras, organizer of the military coup of 1922 which led to the abdication of King Constantine, proclaimed a military dictatorship. Manifestoes showered on Athens from airplanes declared that, despite two elections in five months, parliamentary rule had proved unable to produce an effective government and, alleging growing danger from communism, proclaimed a régime of martial law. Tsaldaris, General Kondylis and other leaders were placed under arrest; newspapers were forbidden to publish the election results; telephone service was suspended.

While excited crowds argued in the streets, President Zaimis hurriedly conferred with Venizelos, Tsaldaris and General Othoneos, president of the court-martial which condemned five Cabinet Ministers to death at the time of the 1922 coup. For the time being, it was agreed, a Cabinet of Generals and Admirals should be set up under General Othoneos and such a group was sworn in on March 7. Meanwhile, the Plastiras dictatorship, lacking support, even in large sections of the army, collapsed utterly, the "dictator for a day" himself agreeing on March 6 to hand over his "power" to the group about to be formed. Martial law was abolished and constitutional rule restored.

Having taken office only to tide

over the crisis, the Othoneos military Cabinet volunteered to relinquish control as soon as Tsaldaris was ready with his list of Ministers. A little time was required, and on March 10 a Tsaldaris Royalist government was sworn in, with General Maximos as Foreign Minister and General Kondylis as Minister of War. Former Premier Venizelos, who now became Opposition leader, sought from President Zai-

mis full amnesty for the supporters of General Plastiras, and a Royalist newspaper organ announced that the party would not seek vengeance upon those who had sought to rob it of the fruits of its victory. Strong demands were made for vigorous punishment of Plastiras as author of the coup, and even for his execution. Orders for his arrest, however, proved unavailing, since his whereabouts were unknown.

The Plight of the Baltic States

By SIDNEY HERTZBERG

LITHUANIA, Latvia and Estonia are primarily agricultural countries with generally similar economic problems. During 1932 all three suffered considerably from the effects of the world-wide depression. Their trade turnover is rapidly approaching the vanishing point and their farmers are sadly contemplating the workings of a disjointed economic system. How they are facing their adversities depends upon their own resources and ingenuity.

In the circumstances Lithuania has shown unusual powers of resistance. The principal accomplishment was the maintenance of stable money. Foreign currency reserves of the Bank of Lithuania decreased but the notes were protected by an increase in gold holdings. At the end of the year gold and foreign currency reserves totaled \$6,503,000, a 22 per cent drop from 1931. This covers a note issue of approximately \$10,000,000. In February, 1933, Lithuania finally created a commission to supervise foreign trade and required special import licenses for iron, coal, salt, cotton and other commodities.

Agriculture, in which more than 75 per cent of Lithuania's people are engaged, provides the basis for the nation's economy. The Lithuanian farm-

er was the victim of the same set of economic circumstances with which farmers all over the world have had to contend. The prices of agricultural products continued to decline. The cost of manufactured goods, on the other hand, did not drop to the same extent. The growing mania for tariffs and foreign exchange control helped to hamper the sale of farm and dairy products. Unlooked for aggravation came in the form of heavy rains. In the case of grain, they were so ruinous that exports decreased 81 per cent in 1932.

Industry was not affected as much as might have been expected from the decline of the purchasing power of the farmer. It received its share of tariff protection and, by turning from foreign products to "buy Lithuanian," the people absorbed the bulk of the meager domestic industrial output. With some exceptions, production was maintained at about the same level. The unemployed, as a result, are less than 1 per cent of the population.

The total foreign trade turnover in Lithuania in 1932 fell off 35 per cent in comparison with 1931 and 45 per cent from the 1930 figures. The value of exports in 1932 reached the lowest level since 1923—\$18,900,000. But imports fell even more sharply—to \$16,-

700,000—so that the previous year's unfavorable trade balance was rectified. The 1931 figures are: Imports, \$27,800,000; exports, \$27,300,000. Because of the fall in prices, the drop in the quantity of exports was not nearly as heavy as in value.

The trade decline was reflected in the national budget through smaller custom revenues. Governmental expenses were cut and the budget, as balanced at the end of 1932, amounted to \$26,600,000. In 1931 Lithuania had a \$31,500,000 budget.

In Latvia the most striking development was the precipitous decline in the total turnover of trade. Imports totaling \$59,255,000 in 1930 fell to \$35,415,000 in 1931, and, finally, to \$16,615,000 in 1932. Exports dropped from \$49,575,000 in 1930 to \$32,755,000 in 1931, and to \$19,275,000 in 1932. The rather cheerless bright spot here is the favorable trade balance of \$2,655,000.

Despite the general decline in commodity values, prices remained comparatively high in Latvia. Because of an excessive protective tariff, costs of manufactured products were raised to such heights that the government in August appointed a price supervisor with very broad powers. The farmers likewise had to be subsidized to the extent of \$7,000,000 even with—or perhaps because of—a record harvest. There seems to be no hope either for

industry or for agriculture unless Latvia can make trade agreements with its big neighbors and best customers.

The Bank of Latvia, through stringent control of foreign exchange, has maintained its foreign currency reserves with only slight losses. Gold holdings increased with the result that the note issue is amply covered. Balancing the budget of about \$27,000,000 was found difficult. Increased income taxes, "crisis" taxation and the issuance of notes and short-term credits were restarted to.

Estonia retained a favorable, though lower, balance of trade in 1932. Approximate figures are: Imports, \$9,250,000; exports, \$11,000,000. Tariff restrictions in Great Britain and Germany are regarded as the chief cause of the decline. Here again, budget estimates were not realized. For the first seven months of the 1932-33 financial year \$23,114,000 was expected, but \$21,290,000 was collected.

During the Autumn of 1932 the foreign currency reserves of the Bank of Estonia fell to the dangerously low figure of \$500,000. This was attributed to the ineffectiveness of the bank's control over foreign exchange. After a new government was installed the note issue was contracted and gold holdings were increased to offset the loss in foreign exchange.

The Soviet-British Dispute

By EDGAR S. FURNISS

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THE efforts of the Soviet Government to improve the efficiency of its new-born, large-scale enterprises by forcible means has produced international repercussions through the arrest of certain British subjects who had been acting as technical advisers to the electrical industries.

The incident involved six employees of the Metropolitan-Vickers Company, a British concern doing business in Russia under a concession from the government. In connection with the installation of turbines in the new hydroelectric plants the company maintained headquarters in Moscow,

where both British and Russian citizens have been employed, and a staff in the provinces to supervise numerous installation projects. Since the company's relations with the Soviet régime had always been cordial, there was no premonition of trouble until on March 11, when agents of the OGPU suddenly arrested the manager, the assistant manager and four other British employes of the company, together with a large number of Russian employes, and subjected both the private residences and the business offices of these individuals to thorough search. After many hours of questioning Alan Monkhouse, the manager of the corporation, and Charles Nordwall, another British official, were released on condition that they would not attempt to leave Moscow. Four other British subjects were detained by the secret police and on March 30 were still under arrest.

A storm of protest immediately arose in England. The British Foreign Office attempted to obtain details of the charges on which the arrests were based, whether the Soviet Government intended to bring the accused to trial—the Soviet secret police have recently been given power of summary execution without public hearing—and whether, in the event of trial, the accused would be given the services of British counsel. The first efforts to obtain information were unsuccessful; no definite charges were made by the Soviet Government and the four men under arrest were held *incommunicado*.

Because of the widespread belief in Great Britain that no safeguards exist in Russia to protect the individual from the capricious tyranny of Soviet policy, the secrecy surrounding the affair increased British popular feeling and led to heated denunciation in the House of Commons. Repeated and vigorous demands for information by the British Ambassador in Moscow finally brought permission from the Soviet Government to visit the accused in prison. While it was thus shown that they were receiving hu-

mane treatment, the other stipulations of the British Government met with scant courtesy from Soviet officials, who would not specify the reasons for the arrests nor indicate the plans for the trial and curtly declared that no interference by an outside government would be tolerated.

A communiqué issued by the secret police on the day after the arrest showed that the Soviet Government intended to exploit the incident for its dramatic possibilities in their attack upon what is called a "counter-revolutionary" plot to damage the electrical power industry of the Soviet Union. The communiqué, which admitted that the industry was being operated unsatisfactorily, blamed political enemies rather than the inefficient organization or the inherent defects of the Soviet industrial program. In London the episode was interpreted as the beginning of an anti-foreign campaign designed to divert the attention of the Russian people from the failures of the Five-Year Plan. It was recalled that the collapse of the coal industry in 1930 inspired the Soviet authorities to stage a sensational public trial in which Raymond Poincaré and Winston Churchill were among those charged with plotting against the Soviet Government. Stanley Baldwin, speaking as Acting Prime Minister, assured Parliament that the accused British citizens would not be left defenseless to be made use of for a similar political drama.

From the standpoint of future Anglo-Soviet relations, the affair is most inopportune. The trade agreement which represents the only official liaison between the two countries was due to terminate on April 16. Denounced last Summer by the British Government as repugnant to the terms of the agreements reached at Ottawa, negotiations for its renewal have since made little progress. Each country has a number of unappeased grievances against the other. The Communists were angered by the blunt manner of the British Conservative

Government last Summer and, quite apart from this, they suspect that Great Britain has been egging on Japan to encroach upon Russian interests in the Far East. The British, on the other hand, have grown impatient over their failure to obtain a satisfactory settlement of their financial claims against the Soviet Union. The Soviet authorities refuse to discuss the Czarist debt and the property losses caused by the revolution, which in the case of Great Britain as in that of the United States form an obstacle to amicable relations.

There is, moreover, the unliquidated claim arising out of the Lena Gold Fields case against the Soviet Union, a case in which a British concern suffered heavy losses owing to the cancellation of a contract by the Soviet authorities. This case was arbitrated by a special international tribunal, which returned a verdict in 1930 awarding £13,000,000 damages to the British companies. The Soviet Government promptly repudiated the authority of the arbitration court, and the British company aided by its government has spent two and a half years in fruitless effort to collect compensation. As stated in the House of Commons by Stanley Baldwin, nothing has been achieved but "a purely derisory offer of £800,000," which is regarded as an insult to British intelligence rather than as a serious attempt to arrive at a settlement.

To financial grievances is added the increasing suspicion of Conservative opinion in England that the Soviet Government has been promoting discontent among the restless subject peoples of India. All in all the chances of a renewal of trade relations between the two countries were none too bright before this latest incident injected new bitterness into negotiations. Now the British Government has announced that it will terminate the discussion of a new treaty, pending satisfactory response to its demands for the liberation of its nationals under arrest in Russia.

Meanwhile, the tension of life in Russia is increasing. The Soviet authorities have set aside the present year as an interval in the progress of their reconstruction program for the purposes of recovery from the failures of the Five-Year Plan. This is to be accomplished by resort to stern discipline, emphasized and dramatized by occasional examples of ruthless severity in the treatment of selected individuals and social groups. The arrest of officials in the electrical industry would have caused little comment had not a few of them happened to be British subjects. Actually, similar secret police activities have been going on in all branches of Soviet industry and agriculture wherever results have fallen notably behind the government's plans and predictions. Any individual holding a responsible position in a lagging Soviet enterprise now stands in some jeopardy of his life.

The OGPU, it was announced on March 4, had arrested about seventy members of the Commissariat of Agriculture and Collectivized Farming on charges of sabotage based on the disappointing records of the farms in the Ukraine, North Caucasus and White Russia. A laconic statement of the chairman of the State Political Department on March 11 informed the public that thirty-five of these persons had been executed and forty others sentenced to eight or ten years in prison. Among those executed were M. M. Wolff, a member of the Commissariat of Agriculture, who in 1931 prepared the "second five-year plan" for agriculture; M. E. Kovarsky, a high official of the tractor department, and F. M. Konar, a former Vice Commissar of Agriculture. With the arrest of the six Britons on March 12, twenty Russian engineers, whose fate has attracted no public comment, were also seized by the secret police. Fifteen officials of the Soviet Fish Trust, an announcement on March 18 stated, had been arrested and held for trial as "class enemies." The trust has shown a loss of 1,500,000 rubles,

which is attributed to deliberate mismanagement.

Numerous arrests have also been made among railway officials. The railway managers are blamed not only for the acknowledged inefficiency of the transport system but also for the increase of thefts from the railway storehouses and freight trains, induced by the hunger and general impoverishment of the people, which, according to government figures, has caused a loss of 59,000,000 rubles during the past eleven months. The application of strong-arm methods to the agrarian population has embraced so vast a number of people that a record of individual cases becomes quite impossible. A few conspicuous examples are made of individuals sentenced to be shot or imprisoned, but the essential feature of the policy has been wholesale disruption of families by exile to distant parts of the country, involving at least 5,000 people during the past few weeks.

While these attempts to promote efficiency by terroristic methods appear to have the approval of the industrial wage earners, they have inevitably led to uneasiness among those holding responsible positions in the economic system, and especially among members of the Communist party. Parallel with the activities of the secret police among the people at large has gone a rigorous investigation of every local unit of the party, carried out by special Communist tribunals charged with the task of ferreting out and punishing disloyal or inefficient members. In one instance twenty-six party members in Leningrad were expelled and denied the right of re-entry, while many others were reprimanded for inefficiency. The general public is too completely engrossed in the grim business of obtaining the necessities of life during these times of poverty to be much affected by the punitive activities of the organs of dictatorship, but individuals who have risen above the mass to posts of authority realize that they must in their own

persons pay the penalty for the failure or shortcomings of the enterprises with which they are identified.

Failure and shortcomings are inevitable within a productive system constructed so hastily and under such pressure toward expansion. Consequently, the present Soviet policy has the effect of discouraging individual initiative and leadership on the part of the more capable at a time when the country stands most in need of their services. The effect is similar in regard to the foreign experts and technical advisers who have been indispensable to the Soviet reconstruction program. Certain foreign concerns, among them a large American company, are now requiring the Soviet Government to guarantee that their agents in Russia will not be held personally responsible for any failure of the enterprises to which they are attached. This, however, is not likely to add materially to the difficulties of the Soviet Government, since financial embarrassment is forcing it to abandon the employment of foreign experts and technicians.

The Soviet officials have shown much concern lest the dispute with Great Britain interrupt the growing movement toward recognition of the Soviet Union by the United States. The change in our national administration has undoubtedly increased the probability of recognition, though the present official attitude toward Russia was formulated by a Democratic administration, namely, by Bainbridge Colby when he was Secretary of State under President Wilson. Three conditions precedent to recognition were set forth by Mr. Colby: the acknowledgment by the Soviet régime of the validity of Russia's pre-revolutionary debt to the United States, the reimbursement of American interests for properties seized by the Communist State and the cessation of subversive Communist propaganda in America and its dependencies. These stipulations, reiterated by the Harding, Coolidge and Hoover administrations, have

so far not been replaced by any later official pronouncement of our government.

The Soviet Union has never yet indicated that it would conform to these conditions as a price of recognition. The financial claims of the United States, a total of \$769,000,000, of which \$441,000,000 represents private property losses, have been steadfastly rejected by the Soviet Government, while the American complaint about Communist propaganda has been dismissed with the statement that the Third International, not the Soviet Government, is responsible for it. Nevertheless, without any publicly announced departure from the policies of either government, both are apparently being drawn nearer agreement. President Roosevelt during the campaign repeatedly declared his support of the policy of recognition; a similar position was taken by Alfred E. Smith in his testimony before a Senate committee on March 1. Senator Borah, long an advocate of recognition, on March 10 submitted a resolution to the Senate declaring for "the recognition of the present government of Russia."

Recognition is supported by certain American business groups in the hope of expanding their export trade to Russia, and by many prominent individuals. It is opposed chiefly by spokesmen for organized labor. Per-

haps the strongest impulse toward recognition is exerted by the trend of our Soviet trade. From a high-water mark of \$114,000,000 in 1930 our exports to the Soviet Union fell to \$12,460,000 in 1932. (For a discussion of this subject, see the article, "Risks of Trade With Russia," on pages 159-163 of this issue.) The desire to recover this badly needed outlet for our goods has led Senator Borah, Senator Robinson, Representative Rainey, Alfred E. Smith and others recently to demand that we abandon our aloof attitude toward the Soviet Government. The anxiety lest the recent activities of the Soviet police have a bad effect upon American public opinion induced Stalin, in a letter dated March 10, to take the unprecedented step of writing to an American newspaper correspondent. "There is not the slightest ground," Stalin said, "for your fears about the security of American citizens here. The U. S. S. R. is one of the few countries in the world in which display of hate or unfriendliness toward foreigners as foreigners is prohibited by law. There has been no case, nor can there be one, of any one becoming an object of persecution because of his nationality." This declaration, obviously intended for American consumption, indicates the extent to which the Soviet authorities have been led to hope for a change in American policy.

Turkey Demands the Straits

By ROBERT L. BAKER

TURKEY was the only defeated power in the World War to offer armed resistance to the humiliating settlement which the victors sought to impose on her. Though today only a fraction of the once extensive but loosely-knit Ottoman Empire, the young republic gained at Lausanne in

1923 a peace with honor. Yet in common with her former allies she was obliged to submit to certain military clauses that restricted her sovereignty, and in particular to the creation of a demilitarized zone along the Dardanelles and Bosphorus Straits.

It was only natural therefore that

when Prime Minister MacDonald recently proposed the suppression of the military clauses of the Versailles, St. Germain, Trianon and Neuilly treaties, the Turkish delegate, Jemal Husnu, promptly pointed out the omission of the Lausanne treaty and demanded that it be dealt with on the same principle as the others. (For a discussion of the British plan see the article by Dr. Gerould on pp. 197-200 of this issue.) Jemal Husnu specifically asked for the abolition of Articles III to IX of the Straits convention and of the military clauses of the Thracian convention—both conventions being parts of the Lausanne treaty. Although Turkey had no desire, he declared, to disturb the articles affecting the freedom of the Straits or the establishment of the Straits Commission, the demilitarized zone interfered with her ability to carry out her obligations to keep the Straits open.

Turkey joined Norway and Denmark in criticizing a number of features of the British plan, and Jemal Husnu objected that the allocation of 100 war planes to Turkey was not half enough. There is some justification for this contention in view of the mountainous character of Asiatic Turkey, the comparatively poor rail communications and the need of never-ending vigilance to maintain order among restless tribesmen like the Kurds.

Mustapha Kemal's determination to keep Turkey for the Turks has been renewed after he had allowed it to relax for some time. Ever since 1923 laws have been promulgated from time to time restricting the activities in which foreigners might engage. Most notable was the transfer of 1,200,000 Greeks living in Anatolia to Greece in exchange for 500,000 Moslems then living in Greece. Greeks living in European Turkey, however, were not expelled unless they had engaged in political activities. A new law principally affects foreigners in

Istanbul and is aimed at providing Turks with jobs now held by aliens. Among the occupations dealt with are those of waiters, bootblacks, grocers, musicians, cabaret performers, janitors, gardeners, lawyers, engineers, chemists, dentists and doctors. Foreigners engaged in the more humble of these occupations are usually Greeks, but among the professional men are many Germans and Armenians. It is estimated that a total of 40,000 persons come within the scope of the law and will be forced to leave Istanbul. Reprisals on the part of Greece and Germany seem likely. Germany has already threatened to expel the 500 Turkish students enrolled at German universities.

Some of the reforms initiated or decreed by Mustapha Kemal clashed so sharply with century-old traditions that he recognized the need of a means to popularize them among the masses. People's Houses, or government community clubs, were the result, and on Feb. 24 the first anniversary of their foundation was celebrated throughout Turkey. Festivities were held in all the branches, and Premier Ismet Pasha broadcast a message of congratulation and encouragement.

The purpose of the People's Houses is to promote, especially among the younger generation, the ideals and reforms of the New Turkey. They are separate from the branches of the Republican People's party, which have political purposes, and confine themselves mainly to artistic, educational and social objects. Great emphasis is laid on the history of Turkey and of the Kemalist movement. The houses are already numerous, and more of them are to be established. They promise to become a valuable ally to the government in molding public opinion.

Though Turkey is attempting to oust foreign workers, she still feels the need of foreign experts in certain fields, and Americans are greatly favored for such posts. The most recent

appointment of this nature is that of Wallace Clark, senior partner of Wallace Clark & Co., engineers, of New York and Paris, to reorganize the tobacco, alcohol and salt monopolies. These monopolies supply a considerable part of the government's revenue and for that reason their efficient operation is a matter of great concern at Angora. Mr. Clark performed a similar task in Poland several years ago.

IBN SAUD QUELLS A REVOLT

News from Arabia comes only at intervals, and it usually relates to revolts by fierce tribesmen who have become restive under the restraints imposed by Ibn Saud, the Wahabite King. Recent reports are to the same effect. Ibn Saud has just put down another rising, this time by the Idrissi branch of the Asiri tribe, one of the most untamed in the peninsula. They have never been thoroughly subjugated, though Mehemet Ali and the Ottoman Turks in the last century spent much blood and money for the purpose. On one occasion the Asiri made an unsuccessful attack upon a Turkish outpost in their region, leaving a large number of dead when they retired. In the blouse of each of the tribesmen was found a personal letter from his chief addressed to the Angel Gabriel requesting that the man be instantly admitted to Paradise. In addition to this strain of fatalism in the inhabitants, the Asir country, lying between the Hejaz and the Emirate of Yemen, is well suited to guerrilla warfare, making it hard to conquer and almost impossible to hold against the will of the tribesmen.

Trouble between Ibn Saud and the Idrissi had been brewing for some time, partly because of the high-handed treatment accorded to the latter's emissaries who visited Mecca to complain of grievances and partly because of Ibn Saud's attempts to convert the tribe to the puritanical Wahabi beliefs. There is also a strong suspicion in Mecca and Jidda that Ibn

Saud's powerful enemies of the Hashemite dynasty, from whom he wrested control of the Hejaz, were active in instigating both the Ibn Rifada revolt of last Summer and the late Idrissi rising. This possibility helps to account for Ibn Saud's unfavorable attitude toward the forthcoming Pan-Arab Congress, which is expected to consider the problem of tribal unity in Arabia. He is supposed, moreover, to regard the congress as likely to be pliant to the will and ambitions of the Hashemite King Faisal of Iraq.

For many centuries the principal business of the Hejaz has been the pilgrim trade, and one of the world's unique railroads was built shortly before the World War from Damascus to Medina to carry the pilgrims across the desert. Moslems making the pilgrimage, or Haj, to the holy cities of Islam from Palestine, Syria and Asia Minor usually take this route. Those from the East Indies, India, Egypt, Algeria, Tunis, Morocco and the Balkans usually travel by land and sea to Jidda, the seaport of Mecca, and proceed inland to their cherished goal. In order to facilitate pilgrim travel Ibn Saud has just reached an agreement with a group of Indian Moslems for the construction of a railroad from Jidda to Mecca, to be completed in 1935. He is to receive about \$200,000 in advance on royalties to be received from the railroad. Announcement has also been made of the establishment of a State bank in the Hejaz, with headquarters at Jidda. The capital of \$3,500,000 is to be guaranteed by former Khedive Abbas Hilmi of Egypt. This venture should be of great benefit to the Hejaz as the country is in great need of capital investment.

PALESTINE JEWS IN BOYCOTT

Jewish opinion in Palestine was already disturbed by news from Germany when in the middle of March banners bearing the Nazi swastika were raised over the German consulates in Jerusalem and Tel Aviv. The British authorities, fearful of

demonstrations, placed the consulates under police guard. On March 28, as a result of the flood of rumors concerning the persecution of Jews in Germany, an active boycott of German goods and motion pictures was initiated in Jerusalem. As early as March 20, an increase in the number of German Jewish immigrants entering Palestine was reported. Among the newcomers was Oscar Kahn, a former German State Secretary, whom the Nazis had threatened. Owing to the comparatively good economic condition of Palestine and the liberal policy of the mandate authorities toward Jewish immigration it seems likely that several thousand exiles can be offered sanctuary.

In connection with the efforts of the Jewish Agency to raise funds in the United States for furthering its work, Mr. Nathan Straus Jr. announced that the number of Jews in Palestine had grown from 55,000 in 1918 to more than 200,000 at present. Jewish colonies now number 130 and land held by Jews has increased twelvefold. The Jewish city of Tel Aviv, which is so new that it is to be found only on the most recent maps, has a population of 47,000 and is exceeded in size only by Jerusalem.

PERSIAN OFFICIAL PUNISHED

The Persian Court was formerly notorious for its corruption, but a recent event leads to the hope that public honesty is becoming the vogue in Teheran. Abdul Hussein Khan Timurtash, former Minister of the Court, whose power at one time was exceeded only by that of the Shah, was on March 18 sentenced to five years' imprisonment and an enormous fine of about \$700,000 for embezzlement, swindling and extortion. Timurtash was dismissed from his post last December after holding it since the accession of Riza Shah Pahlevi. As he was tried *in camera*, the details of both charges and evidence remain unknown to the public.

An invitation has been extended by the Persian Government to the Iraqi Assyrians to settle in Persia. Special inducements, which have not as yet been made known in detail, were offered. This Iraqi minority group, numbering about 60,000, claims to be the oldest Christian sect in the world, though a similar claim is made by the Coptic church in Egypt. In December its appeal to the League of Nations for administrative autonomy under Iraq was denied, and since that time it has sought an opportunity to settle elsewhere.

EGYPTIAN LOAN RAISED

Within three days an issue of 2,500,000 Egyptian pounds by the Egyptian Government in the form of Treasury bonds bearing 4½ per cent interest was heavily, and somewhat surprisingly, oversubscribed. The total subscription reached 7,000,000 Egyptian pounds. The official press attributed this success to public confidence in the financial policy of the government. In other quarters it was held that the interest rate, the ten-year maturity and the tax-exempt feature of the loan, and also the recent lack of opportunities to make profitable commercial investments, were responsible for its success.

Since 1930 the toll collections of the Suez Canal Company have fallen approximately \$10,000,000. The charge of six gold francs a net ton has been found so heavy by shippers that vessels have been diverted around the Cape. Australian wheat, East Indian sugar and rubber and Russian oil bound east of Suez are being sent by the longer but cheaper route. The shippers of countries off the gold standard, principally Great Britain, which normally furnishes 55 per cent of the canal's traffic, have found the gold franc toll an especially great handicap. Much tonnage has also been lost by the canal through the increasing use of the Panama route by American shippers trading with the Far East.

Japan Quits the League

By TYLER DENNETT

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JAPAN, after most careful deliberation, notified the League of Nations on March 27 that she would take advantage of Article I, Paragraph 3, of the Covenant to resign from the League at the end of two years. The notification, drafted by the Cabinet, was approved by the Privy Council, Prince Saionji and the Emperor. Owing to a "leak" in the Cabinet, a draft of the note was published in *Asahi*, on March 17.

The introductory paragraphs of the note recited the Japanese reasons for having joined so enthusiastically in the work of the League. The mission of the League to promote peace and order, the Japanese pointed out, seemed to coincide with the desire of Japan to establish peace and order in the Far East. Such a definition is little different from one that is not uncommon at Geneva itself—that the League's purpose is to assist the victors in the World War to keep what they won. All other meanings seem to have been eliminated from those articles which associate territorial guarantees with arbitration, judicial settlement, conciliation, the supervision of mandatories and the declarations of the preamble of the Covenant—"the acceptance of obligations not to resort to war;" "the prescription of open, just and honorable relations between nations;" "the firm establishment of the understandings of international law as the actual rule of conduct among governments"; "the maintenance of justice and scrupulous respect for all treaty obligations." The Japanese apparently regarded the preamble as polite phrases designed to

wrap with an appearance of lofty purpose the Covenant's real intent to defend the status quo existing at the date of signature. Perhaps the Covenant was thus explained to Japan at Paris in 1919; certainly many other nations have regarded it that way.

"The Japanese Government have been led to realize," the note concludes, "the existence of irreconcilable divergence of views, dividing Japan and the League on policies of peace and especially as regards the fundamental principles to be followed in the establishment of a durable peace in the Far East." So it would appear. After all, the League is not a second Holy Alliance; Japan was mistaken and is now sorrowfully disillusioned. It is a mad world, this Far East. The consequence of Japan's withdrawal from such fundamental treaty engagements must almost certainly be another naval race, and an armed peace. But an armed peace is never eternal.

In London on March 17, Yosuke Matsuoka, Japanese member of the League Council, declared: "There is no cause for war between the United States and Japan. Such a thing would be an act of madness." Probably Mr. Matsuoka is right, but, if the Japanese leaders will only take the long view, they will see that Japan cannot safely premise her present policy on such an assumption. It is no less madness for Japan to suppose that she can add to her security by repudiating the agreements of the Covenant and of the Washington Conference.

Mr. Matsuoka, on his way to lay his case before President Roosevelt, ar-

rived in New York on March 22. From the ship he gave out an interview which seemed needlessly rasping: "We are not obliged to appeal to any nation," he exclaimed with a show of heat. "We are not a vassal State of America or any other country." Subsequently in New York, in an address on March 27, he categorically denied that he had ever shouted on that memorable day at Geneva: "Manchuria belongs to us by right." The denial was coupled with the accusation that American news reports from Geneva had been, generally speaking, prejudiced against Japan and unfriendly. The statement so bluntly denied was reported by the United Press on Feb. 24, and quoted in *CURRENT HISTORY* for April (page 9).

Following Mr. Matsuoka's denial, the United Press secured from Geneva an extract of the revised verbatim stenographic report of the Japanese envoy's interpolation. It reads: "We do not mean to defy the world at all; it is our right. It must be plain to any one who reads the history of the Far East over the past sixty years that we did not recover Manchuria from Russia to restore it to China after the great efforts we made to develop it into what it is today." The United Press correspondent understood the words "it is our right" as "it is ours by right," a mistake which was the more easy to make because of the statement contained in the sentence that Japan would not restore Manchuria to China. This writer regrets that he was led to repeat the verbal, though not very substantial, inaccuracy of the newspaper dispatch.

It might be well to recall that Article III of the Treaty of Portsmouth, between Japan and Russia, signed on Sept. 5, 1905, contained the following provision: "Japan and Russia mutually engage: * * * II. *To restore entirely and completely to the exclusive administration of China all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of*

the territory mentioned above [the leased territory]."

Mr. Matsuoka's later statements and speeches in the United States were more conciliatory. They dwelt upon the "realities" of Chinese disorganization rather than upon the breaches of the Covenant and the Pact of Paris, for which Japan was censured at Geneva. The substance of the Japanese defense is "extenuating circumstances."

The question of the Japanese mandated islands has not yet become a matter of published official concern in Washington, but there is evidence that the question is receiving attention, as it is in Tokyo. The report from Geneva that Germany is now displaying interest in these Pacific islands, which were taken from her by the Versailles treaty, was sufficient to evoke a strong protest from the Japanese Navy Office. The legal question posed at Geneva is whether a country quitting the League, after violating the Covenant, can hold a League mandate. This question underlies the related question of whether a mandatory possesses actual sovereignty over a mandate.

The Dutch are somewhat worried over Mr. Matsuoka's suggestion at The Hague, before his departure for America, that a non-aggression pact between the Netherlands and Japan should be accompanied by an arrangement for Japan to send laborers to the Dutch East Indies. Fear is expressed that Japan may also be interested in East Indian oil fields upon which her navy is already largely dependent. Mr. Matsuoka's visit to Holland seems to have been not very soothing to Dutch nerves.

The Soviet Government on March 7 rejected the invitation to sit at Geneva with the consultative committee. Thirteen of the twenty-two nations represented on the committee do not have diplomatic relations with Russia. The decisions of the League on the Far East do not appear to have gone far enough to suit Russia. But

Moscow is still willing to join with any or all in any proposal "looking to the most rapid and equitable settlement of the conflict and the consolidation of peace in the Far East."

The consultative committee on March 15 seated Hugh R. Wilson, United States Minister to Switzerland, as the American representative, though not an actual member of the committee. Mr. Wilson's instructions place upon him definite limitations. While he may not vote, his presence will give an "informative contact." Mr. Wilson cannot bind his country, but there will be consultation, with free and frank discussion between Washington and Geneva. As its first step the committee appointed sub-committees on an embargo and on non-recognition. The discussion proceeded along the line that Manchukuo should be "isolated" from international contacts—an interesting experiment.

THE CAPTURE OF JEHOI

Advancing in four columns, with bombing planes and, so the Chinese charge, with poison gas, the Japanese on March 1 occupied Lingyuan and Chihfeng in Jehol and on the same day announced from Kailu that General Tang Yu-lin, Governor of Jehol, had telegraphed his surrender. Chinese press bureaus busily prepared predictions of what their soldiers would soon do, but the effect was merely to build up expectations that were quickly disappointed. Japanese airplanes, flying low, raked the Chinese trenches, unprotected by anti-aircraft guns. The Chinese slaughter was frightful, and was not confined to armed troops. The next day Tokyo issued a warning that Japanese airplanes would not fly south of the Great Wall unless the Chinese attacked Japanese civilians in North China. By March 3 the Japanese had advanced to within thirty-six miles of Chengteh, the capital, which was occupied a day later.

The complete collapse of the Chi-

nese defense of Jehol was followed by the pathetic spectacle of the flight of the Chinese war lords through the Great Wall. Guards belonging to the forces of Marshal Chang Hsiao-liang at Kupei, the pass northeast of Peiping, stopped the fugitives and tried to turn them back, but the young Marshal himself remained snugly in Peiping. In sub-zero weather the Japanese had completed their campaign in ten days. General Tang's last act was to seize 240 trucks, designed for the transportation of food and munitions, to carry his personal effects into the wilderness where he might hide from the wrath of his countrymen.

General Chiang Kai-shek on March 7 interrupted his campaign against the Communists, directed from a safe retreat at Nanchang, to fly to Peiping. Two days later he ordered a "vigorous counter-offensive." Marshal Chang pleaded, so the Chinese press bureau reported, to be allowed to resign his post in Peiping in order that he might be free to go to the front. "If I fail, I won't come back alive," he declared mock-heroically. Perhaps he considered Jehol safer than the company of his own outraged countrymen. With the acceptance of his resignation on March 10, Chang retired to private life, handing over to General Chiang 150,000 poorly paid, poorly equipped, defeated troops whose loyalty was open to question. The retirement of Chang, now secluded in Shanghai, was interpreted as equivalent to the extension of the Nanking Government's control over North China.

The disappearance of Chang seemed to prompt the Chinese forces to an eleventh-hour rally, but on March 10 the Japanese announced that they had obtained possession of the Kupei pass, only sixty-five miles from Peiping. The Japanese military, now straining at the leash, desired to enter North China at Shanhaikwan and demanded a demilitarized zone south of the Great Wall. The Nanking Government, however, continued to refuse to undertake direct, open negotiations.

Since the Tientsin and Peiping areas are practically defenseless, it looked for some days as if the Japanese invasion of North China was certain but by March 20, Hallett Abend reported that the danger seemed to be passing. General Chiang Kai-shek did not take the offensive and the Japanese were temporarily content. It is not yet apparent whether the Nanking Government can long withstand the Japanese demands for a treaty recognizing Manchukuo, but it is quite possible that, if the Nanking Government should yield to Japan, it would be overthrown.

The more cynical observers see in the present situation an agreement between the Japanese and Chiang Kai-shek by which the latter has been rid of his rival, Marshal Chang Hsiao-liang, and may now pose as the savior of North China. All through the month there have been vague hints that secret negotiations were in progress between General Chiang and the Japanese. Obviously the latter cannot regard the crafty Chinese generalissimo as a very dangerous enemy; he has never offered them as much opposition as has Secretary Stimson or the Assembly of the League of Nations.

THE CHINESE BOYCOTT

The American Council of the Institute of Pacific Relations, after a close study of all available trade returns, has reported that the anti-Japanese boycott in China probably reached its peak about a year ago, and since then has been declining. The boycott, which was more effective in South China than in the North, weakened apparently as the price of Japanese goods was lowered as a result of the fall of the yen. That the boycott affected textiles to a great extent was shown by the drop in imports of Japanese cotton goods from 87,000,000 yen in 1930 to 38,000,000 in 1932. In Kwangtung Province, North China, on the contrary, there was an actual increase of

Japanese imports from 87,000,000 yen in 1930 to 120,500,000 yen in 1932.

Two factors may operate to check the decline of the boycott in the near future. Japan has been using reserve stocks of raw cotton which will have to be replenished at higher cost to Japan. This will raise the selling price of finished goods in China. Furthermore, China has already served notice upon Japan that she will not renew in May the three-year tariff agreement with Japan, under which the principal Japanese purchases are now made. This notice seems to presage an increase of the Chinese tariffs. In short, the boycott cannot be made effective in China when the Japanese goods can be purchased at the lowest price, because in China, as elsewhere, "business is business." If the Chinese cannot sustain the boycott, it is still further evidence that there is not now in China a sufficiently cohesive political force to give effective cooperation to any agency of the League which may seek to assist in the reconstruction of the nation, as the Lytton Commission proposed. Worst of all, no such agency has yet been devised, nor has any plan been proposed.

THE ARMS EMBARGO

The British arms embargo against China and Japan announced by Sir John Simon during a debate in the House of Commons on Feb. 27, was ended on March 13 by Acting Prime Minister Baldwin. It had never been more than a paper embargo, since contracts already made were exempted from its operations, nor did the list include war material other than arms. The alleged reason for lifting the embargo was the failure of other governments to adopt similar decisions. "It is now clear that we cannot get an embargo agreement with other governments in the near future," explained Mr. Baldwin, "and it serves no useful purpose for this country to act alone." When asked in the House of Commons whether the government would now call the attention of China

to the superiority of British airplanes, the reply was that the Board of Trade had already attended to that.

The British embargo was resented in both Japan and China. In Tokyo a Foreign Office spokesman blustered that if the charges made against Japan at the time of the embargo debate in the Commons were made directly to Japan, "she would know how to answer." The Chinese regarded the embargo as obviously unfriendly and unneutral, since it bore unequally upon the two disputants. "As a practical measure to hasten the end of hostilities in the Far East," declared the *Shanghai Evening Post*, the embargo "is absolutely futile, and as a moral gesture it is grotesque." The Canadian Government had declared a similar embargo on March 1.

For several reasons there never was any possibility that the arms-manufacturing States would come to an agreement on the basis of the British policy. Since there is no international machinery to regulate or control an embargo, there is no way to deal with unscrupulous countries which might violate such an engagement. Even more important, there is as yet no clear common agreement as to the ethical rights and wrongs of the existing disorder in the Far East. The decision of the League Assembly appeared to place the onus on Japan, but China has not been discharged as the innocent victim of an outrage. An embargo against both disputants represented the British view, so often urged by Sir John Simon, that the Chinese must share the blame for the broken peace. An embargo against Japan alone would operate to strengthen the existing Chinese Government. When one compares the war lords of China and the war lords of Japan it is doubtful whether there is enough difference in favor of the former to warrant the support from abroad which would be represented by an embargo against Japan. Surely there is some degree of madness in Geneva if it is assumed that the existing military government

in China is worthy of special favors in the way of supplies of arms. Sir John Simon's project had more merit than at first appeared. It would have left in the hands of the powers a useful weapon in that, if the Chinese Government should ever show such improvement as to warrant it, the embargo against China could be withdrawn.

PROGRESS IN MANCHUKUO

The most significant development in Manchukuo in the last month was the consolidation of the entire State railway system under the South Manchuria Railway administration. The announcement was made on March 1, the first anniversary of the founding of the Manchukuo State. The capital stock of the South Manchuria system is being increased from 404,000,000 yen (\$83,224,000 at the present rate of exchange) to about 1,000,000,000 yen (\$206,000,000) and a large program of new construction has been authorized.

In the contract between Manchukuo and the South Manchuria Railway, no mention was made of the Chinese Eastern Railway, owned by Soviet Russia and now jointly operated with Manchukuo. However, the day before the announcement of the new contract, Mr. Matsuoka in an interview in Paris dangled an alluring bait before the French bondholders of the Chinese Eastern. He proposed that Manchukuo give up half of her half-interest in the railway, that Russia likewise give up half, and that the resulting half-interest be transferred to the French holders of the repudiated Russian imperial bonds. At the moment there is no prospect that France will seize the bait, but it seems unlikely that the French Government will take any action that will render less likely the acknowledgement of the claims which the French bondholders have not forgotten. From Manchukuo it is reported that the visits of the representatives of French capital are being met with every form of cooperation.